



State of
New Mexico
Portales
Municipal School
District No. 1

Annual Financial Report
For the Year Ended June 30, 2016



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INTRODUCTORY SECTION

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Table of Contents
June 30, 2016

	Exhibit	Page
INTRODUCTORY SECTION		
Table of Contents		4-5
Official Roster		7
FINANCIAL SECTION		
Independent Auditors' Report		10-12
Management Discussion and Analysis		13-31
BASIC FINANCIAL STATEMENTS		
Government-wide Financial Statements:		
Statement of Net Position	A-1	34-35
Statement of Activities	A-2	36-37
Fund Financial Statements:		
Balance Sheet - Governmental Funds	B-1	38-39
Reconciliation of the Balance Sheet to the Statement of Net Position		41
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	B-2	42-43
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities		45
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual:		
General Fund (11000, 13000, 14000)	C-1	46
Food Service Special Revenue Fund (21000)	C-2	47
Entitlement IDEA-B Special Revenue Fund (24106)	C-3	48
Statement of Fiduciary Assets and Liabilities - Agency Funds	D-1	49
NOTES TO THE FINANCIAL STATEMENTS		51-83
REQUIRED SUPPLEMENTARY INFORMATION		
	Statement/ Schedule	
Schedule of Proportionate Share of the Net Pension Liability	I	86
Schedule of Contributions	II	87
Notes to the Required Supplementary Information		88
SUPPLEMENTARY INFORMATION		
Nonmajor Governmental Fund Descriptions		91-93
Combining and Individual Fund Statements and Schedules		
Combining Balance Sheet - Nonmajor Governmental Funds	A-1	94-99
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	A-2	100-105
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual:		
Athletics Special Revenue Fund (22000)	B-1	106
Title I - IASA Special Revenue Fund (24101)	B-2	107
Migrant Children Education Special Revenue Fund (24103)	B-3	108
IDEA-B Preschool Special Revenue Fund (24109)	B-4	109
IDEA-B "Risk Pool" Special Revenue Fund (24120)	B-5	110
English Language Acquisition Special Revenue Fund (24153)	B-6	111
Teacher/Principal Training/Recruiting Special Revenue Fund (24154)	B-7	112
Rural & Low Income Schools Special Revenue Fund (24160)	B-8	113
Carl D. Perkins Secondary Current Special Revenue Fund (24174)	B-9	114
USHHA/CDC School Health Special Revenue Fund (24186)	B-10	115

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Table of Contents
June 30, 2016

	Statement/ Schedule	Page
SUPPLEMENTARY INFORMATION (continued)		
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual (continued):		
Impact Aid Special Education Special Revenue Fund (25145)	B-11	116
Title XIX Medicaid Special Revenue Fund (25153)	B-12	117
Golden Apple Foundation Special Revenue Fund (26163)	B-13	118
Dual Credit Instructional Materials Special Revenue Fund (27103)	B-14	119
2012 G.O. Bond Student Library Fund Special Revenue Fund (27107)	B-15	120
PARCC Readiness Special Revenue Fund (27108)	B-16	121
New Mexico Reads to Lead Special Revenue Fund (27114)	B-17	122
PreK Initiative Special Revenue Fund (27149)	B-18	123
Breakfast for Elementary Students Special Revenue Fund (27155)	B-19	124
GRADS Child Care Special Revenue Fund (28189)	B-20	125
GRADS - Instruction Special Revenue Fund (28190)	B-21	126
GRADS Plus Special Revenue Fund (28203)	B-22	127
Bond Building Capital Projects Fund (31100)	B-23	128
Special Capital Outlay - State Capital Projects Fund (31400)	B-24	129
Capital Improvements SB-9 - State Capital Projects Fund (31700)	B-25	130
Capital Improvements SB-9 - Local Capital Projects Fund (31701)	B-26	131
Education Technology Equipment Act Capital Projects Fund (31900)	B-27	132
Debt Service Fund (41000)	B-28	133
Ed Tech Debt Service Fund (43000)	B-29	134
Combining Balance Sheet - General Fund	C-1	136
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund	C-2	137
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual		
Operating Fund (11000)	C-3	138
Pupil Transportation Fund (13000)	C-4	139
Instructional Materials Fund (14000)	C-5	140
SUPPORTING SCHEDULES		
Schedule of Deposits	III	143
Cash Reconciliation	IV	144-147
Schedule of Collateral Pledged by Depository for Public Funds	V	148
Schedule of Changes in Assets and Liabilities - Agency Funds	VI	149
Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)	VII	150-151
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 <i>Government Auditing Standards</i>		154-155
FEDERAL FINANCIAL ASSISTANCE		
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance		158-159
Schedule of Expenditures of Federal Awards	VIII	160-161
Schedule of Findings and Questioned Costs	IX	162-165
OTHER DISCLOSURES		166

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STATE OF NEW MEXICO
Portales Municipal School District No. 1
Official Roster
June 30, 2016

Name	<u>Board of Education</u>	Title
Antonio R. Sanchez Jr.		Board President
Inez Rodriguez		Board Vice President
Dr. Alan W. Garrett		Board Secretary
Mary Lou Rowley		Board Member
Rod Savage		Board Member

Administrative Officials

Johnnie S. Cain	Superintendent
Sarah M. Marquez	Director of Finance

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor and
The Board of Education
Office of Management and Budget
Portales Municipal School District No. 1
Portales, 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 Portales Municipal School District No. 1 (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the District's nonmajor governmental funds, the combining financial statements for the General Fund, and the budgetary comparisons for the major capital projects fund and all nonmajor funds presented as supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Portales Municipal School District No. 1, as of June 30, 2016, and the respective changes in financial position and, the respective budgetary comparisons for the General Fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund, and the combining financial statements for the General Fund of the District as of June 30, 2016, and the respective changes in financial position thereof, and the respective budgetary comparisons for the major capital projects fund and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 13 through 31 and Schedules I and II and the Notes to the Required Supplementary Information on pages 86 through 88 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

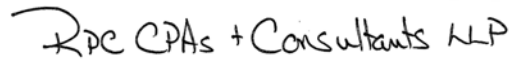
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The introductory section, the Schedule of Expenditures of 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 Schedule of Expenditures of Federal Awards and Supporting Schedules III through VI 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. Schedules III through VI 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 Schedule of Expenditures of Federal Awards and Supporting Schedules III through VI 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 Schedule VII have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2016, 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
October 20, 2016



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2016



Portales Municipal School's Vision

"All students will be productive and successful citizens"

Portales Municipal School's Mission

"All students will be provided a Quality Education"

Introduction

The Management's Discussion and Analysis provides an overview of the Portales Municipal School's (District) financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and footnotes to enhance their understanding of the District's financial performance. Whenever possible, this discussion and analysis will provide the reader multi-year pictures of financial performance and other pertinent information through the use of tables and other graphic information.

Financial Highlights

Key financial highlights for the fiscal year 2016 are as follows:

- ❖ The District has successfully implemented and maintained the financial reporting processes as required by the Governmental Accounting Standards Board Statement No. 34, 67, 68, 72, & 76.
- ❖ The most significant highlight for the District was the ability to clear up the finding from the prior year. We use these findings as an opportunity to review and implement internal controls to make sure they do not occur again.
- ❖ June 30, 2016 also had a highlight for cash flow in regard to the amount due from the NMPED for outstanding requests for reimbursement. In 2015, the amount owed was \$476,517 but for 2016 the amount owed was \$439,879, a decrease of \$36,638 or 7.69%. This was due in large part of submitting two reimbursement requests a month instead of one.
- ❖ The District's net position decreased by \$453,515 or 9.76% primarily due to the decrease in student enrollment. We are taking steps to make staffing more efficient for those grades with large students numbers by moving staff to the grades where they are needed. We have also decreased the amount of staff through movement when others retire or move on to other opportunities.
- ❖ Total Revenues decreased by \$8,541 or 0.03%. This is mostly attributed to a decrease in the State Equalization Guarantee (SEG) of \$331,343 or 1.56% because of student enrollment being down. We are highly cognizant of this concerning trend and are making adjustments.
- ❖ Expenditures decreased by \$47,050 or 0.16%. This is not nearly enough to make up for the decrease in SEG for 2016, but we have made greater adjustments in 2017 which will show on next year's audit.



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2016



- ❖ The Finance Office Manual of Procedures was updated and sent to all staff in August 2015. This living document is updated every year and sent to all District staff to keep everyone up to date on the Finance Procedures in the District.

About the Portales Community

Portales Municipal Schools is located on the eastern part of New Mexico approximately 20 miles from Clovis, New Mexico in Roosevelt County. As stated on the Portales sign welcoming everyone into town, we have a population of “17,000 friendly people and three or four old grouches”.

We are located about 17 miles south of Cannon Air Force Base (CAFB) which is home to the Special Operations Squadron. Located on the western side of Portales is Eastern New Mexico University (ENMU) which recorded a record enrollment of 6,014 students in the fall of 2016 according to their website www.enmu.edu. Portales Municipal Schools is the second largest employer in Portales, just behind ENMU.

We have several successful businesses located in Roosevelt County. Southwest Cheese is one of the largest block cheese and whey protein producers in the world. We are a county with 40 large dairy farms and a major wind farm.

Unemployment in June of 2016 for Roosevelt County was 7.0%, higher than the national average of 5.6% for June 2016. Unlike most of the cities in New Mexico and nationwide, Roosevelt County has experienced increased tax receipts over the last few years. Part of the increase is due to the increased enrollment at ENMU, but part is also attributed to a newer, younger mission for CAFB.

About the Portales Municipal School District

To better understand the District’s financial performance, it is important to understand more about the District. The District’s student enrollment for 2015-16 from preschool to 12th grade was 2,812. The District has 6 grade level schools with the following breakdown:

Brown Early Childhood Center	Preschool through Kindergarten
RM James Elementary	1 st through 2 nd grade
Valencia Elementary	3 rd through 4 th grade
Lindsey-Steiner Elementary	5 th through 6 th grade
Portales Junior High School	7 th through 8 th grade
Portales High School	9 th through 12 th grade

The District also owns administrative facilities including the L.C. Cozzens Administrative Building; the Central Office Annex which houses Federal Programs, Special Student Services, and Technology; and the maintenance/warehouse building. The District contracts their buses through Dickie Shearer School Buses.



PORTALES MUNICIPAL SCHOOLS
 MANAGEMENT DISCUSSION AND ANALYSIS
 For the Fiscal Year Ending June 30, 2016



The District’s instructional focus is on literacy and mathematics. The District invests in quality and sustained professional development opportunities for teachers. Leadership training is provided to school and District administrators for the purpose of developing instructional leadership skills.

Portales School District went through District accreditation in 2012 through AdvancED. The entire District participated in the process and a team of evaluators reviewed the documentation and evidence that the District had assembled on April 22 – 25, 2012. It was the recommendation of the team that Portales School District be accredited as a District nationally and internationally.

Roosevelt County’s most recent assessed valuation for the 2014 tax year was \$252,728,106. This is an increase of \$7,711,699 from the 2013 value of \$245,016,437 which is a 3.15% increase. Voter-approved property tax assessments are used to generate revenue, which in turn, is used as the basis to sell general obligation bonds that are authorized to total up to 6% of the assessed valuation. In the past four years, the voters have approved the following general obligation (GO) bonds:

Year	\$ in millions
2010	1.9
2010	2.275
2011	1.4
2014	2.75

The GO Bond proceeds are used to expand and improve District infrastructure through the remodeling and upkeep of existing school facilities to meet the needs of the student population. GO Bond decisions are based off of the Districts 5 year Facilities Master Plan.

In 2014, the District passed GO Bonds for \$2,750,000. The proceeds are used for student Chromebooks for PARCC testing, a new maintenance building, and many repairs in the District.

In 2015, the District passed an Educational Technology Bond for \$600,000. The ED Tech proceeds are used for technology infrastructure upgrades, staff computer/laptop upgrades, and yearly software licenses.

The SB9 mill levy was approved by the voters in the February 2011 election for six more years (the next election will be in 2017). These funds are used for remodeling, furnishings, equipment, maintenance, and technology around the District. Along with several NM Department of Transportation (NMDOT) awards, the District was able to use SB9 funding for parking lot improvements at several campuses. SB9 funds were also used to replace drinking fountains in one school, repaired intercom and fire alarm systems in several schools, replaced carpet in several classrooms, and updated the network infrastructure at several schools. Additional preventive maintenance preserves the high quality of District grounds and facilities.



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2016



Student Nutrition continues to serve quality meals meeting state guidelines for improved nutrition, and maintains a financially stable budget.

About the Portales Municipal Schools Accounting and Finance Office

We believe this overview and the accompanying financial report from our auditors will indicate to the reader and the community that we have managed the District's financial affairs to the highest professional standards. We have developed a budget focused on our instructional mission with flexibility to address an uncertain economy. The District continues to monitor the state and national economy when planning future year budgets and programs. To enable high levels of financial performance, the District maintains a financial and accounting staff with strong levels of education, technical experience, and school business licensure.

In order to define and support internal controls, the School Business Office maintains separation of duties through a Comptroller position. The District has utilized the Tyler Technologies System (Visions) since July 2001 for Business Services, Fixed Assets, and Human Resources.

As an integral part of the District's accountability and transparency process, the Board of Education monitors District expenditures through a formal monthly reporting process and the budgets are carefully reviewed on an as needed basis. The reports are provided at a public meeting and become a part of the Board of Education's permanent public record. These reports are public documents and open to public inspection.

Starting in September 2010, the Board of Education appointed an Audit Committee to provide greater public transparency in the accounting operations. The committee consists of two parent representatives, a community member with an accounting background, two Board members, and two ex-officio members: the Superintendent and the Director of Finance. In response to Legislative Law CS/HB 227 & 251, the district created a Finance sub-committee that we call the Budget Committee comprised of teacher/staff representatives of each school in the district, two building principals, four parent/community members, two board members, all of the Directors in the District, and two ex-officio members: the Superintendent and the Director of Finance.

Starting January 2014, in response to Legislative Law SB443, the District has appointed a Chief Procurement Officer (CPO) in accordance with NMSA (1978) 13-1-97(C). The CPO is defined as the person within the local public body's office who is responsible for the control of procurement of items of tangible personal property, services or construction. The Director of Finance has been registered with the General Services Department website. February 2015, the Director of Finance passed certification for this requirement.



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2016



The District has consistently reported its financial standing on a monthly basis to the Board of Education. The District has consistently met the New Mexico Public Education Department's guidelines on reporting and approval of financial activity to the Board.

Using the Basic Financial Statements

The annual report consists of a series of financial statements and the notes to those statements. These statements are organized so the reader can understand the Portales Municipal School District as a financial whole, or as an entire operating entity.

The Statement of Net Position and the Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund Financial Statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The Fund Financial Statements also look at the District's most significant funds with all other non-major funds presented in a total column. For Portales Municipal Schools, the General Fund is the most significant fund.

Reporting the School District as a Whole

Information about the Statement of Net Position and Statement of (Governmental) Activities

While this report contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the District's net position and changes in those activities. This change in net position is important because it identifies whether the financial position of the District has improved or diminished for the District as a whole. The cause of this change may be the result of many factors, some financial, some not. Nonfinancial factors include the District's property tax base, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports one distinct activity:

Governmental Activities – Most of the District's programs and services are reported here including Instruction, Support Services, Central Services, Operational and Maintenance of Plant, Student Transportation, Food Services-Operation, Bond Interest Paid, and unallocated Depreciation and Amortization.

The District does not have any component units to report.



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2016



The Statement of Net Position

The Statement of Net Position (see Table 1) shows the current and non-current assets, current and non-current liabilities, and net position comparison from 2016 and 2015.

Table 1-Statement of Net Position Comparison 2016 to 2015

Portales Municipal Schools Statement of Net Position Comparison 2016 to 2015			
	June 30, 2016	June 30, 2015	Variance
Assets:			
Current Assets			
Cash & cash equivalents	\$ 4,109,822	\$ 4,525,770	\$ (415,948)
Investments	2,097	2,091	6
Receivables:			
Property Taxes	243,393	170,771	72,622
Due from other governments	504,431	610,033	(105,602)
Other	795	-	795
Inventory	15,236	25,063	(9,827)
Total current assets	4,875,774	5,333,728	(457,954)
Noncurrent Assets			
Restricted Assets:			
Cash and cash equivalents	30,693	113,884	(83,191)
Investments	169,421	295,929	(126,508)
Capital Assets	65,539,747	64,806,731	733,016
Less: accumulated depreciation	(23,708,777)	(22,075,545)	(1,633,232)
Total noncurrent assets	42,031,084	43,140,999	(1,109,915)
Deferred outflows of resources			
Changes in proportion	174,689	-	174,689
Changes of assumption	1,253,738	-	1,253,738
Employer contributions subsequent to the measurement date	2,178,885	2,223,580	(44,695)
Total deferred outflows of resources	3,607,312	2,223,580	1,383,732
Total Assets and Deferred Outflows of Resources	\$50,514,170	\$ 50,698,307	\$ (184,137)
Liabilities:			
Current Liabilities			
Accounts Payables	\$ 379,309	\$ 120,861	\$ 258,448
Due to PED	-	-	-
Accrued payroll	764,403	571,144	193,259
Accrued interest	76,705	98,553	(21,848)
Accrued compensated absences	87,195	96,180	(8,985)
Current portion of bonds payable	1,865,000	1,765,000	100,000
Non-current Liabilities			
Accrued compensated absences	-	2,664	(2,664)
Bonds payable	5,355,000	7,220,000	(1,865,000)
Net pension liability	36,450,816	31,874,486	4,576,330
Total Liabilities	\$44,978,428	\$ 41,748,888	\$ 3,229,540
Deferred Inflows of Resources:			
Change in proportion	607,367	930,431	(323,064)
Difference between expected and actuarial experience	661,333	474,820	186,513
Net difference between projected and actual investments earnings on pension plan investments	73,938	2,897,549	-
Total Deferred Outflows	\$ 1,342,638	\$ 4,302,800	\$ (136,551)
Net Position:			
Net investment in capital assets	\$35,105,414	\$ 35,266,500	\$ (161,086)
Restricted for:			
Debt Service	620,817	490,863	129,954
Capital projects	2,093,778	3,239,226	(1,145,448)
Special revenue	747,721	895,315	(147,594)
Unrestricted	(34,374,626)	(35,245,285)	870,659
Total Net Position	\$ 4,193,104	\$ 4,646,619	\$ (453,515)
Total liabilities and net position	\$50,514,170	\$ 50,698,307	\$ 2,639,474



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2016



The Statement of Net Position has changed a little from last year, but most of the items are the same. From this report, you can see that the net position from 2015 has decreased \$184,137 from the prior year.

GASB 34 rules require public entities to depreciate capital assets. The District utilizes a “straight line” depreciation method in all cases and standardized lifetime tables in calculating depreciation.

The Statement of Activities

The Statement of Activities (see Table 2) reports the expenses, charges for services, and the operating grants and contributions for governmental activities.

The Statement of Activities indicates the total cost of services and the total general revenues received to offset those costs. This report compliments the Statement of Net Position by showing the overall change in the District’s net position for the fiscal year ending June 30, 2016. Notice there has been a decrease of \$331,343 in the State Equalization Guarantee. This is concerning for Portales Schools, but it does coincide with the decrease in student count in the District.

The pension liability from the Statement of Net Position required by GASB 67 has been implemented again in this statement. Last year, there was a restatement for beginning balance to implement GASB 67.

As you can see from Table 2, most Revenues have increased a little from the prior year, but not where we receive a majority of the revenue from the State Equalization Guarantee. Expenses increased in several areas, but we also decreased in several areas. A lot of the increase was because of increases in medical premiums, liability insurance premiums, and teachers advancing on the three tier salary schedule due to high evaluations.

The Net Change in Net position is a decrease of \$453,515 due to the decrease in student count and the increase in expenses. We are working diligently to make up the difference.



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2016



Table 2-Statement of Activities Comparison 2016 to 2015

Portales Municipal Schools				
Statement of Activities Comparison				
2016 to 2015				
		June 30, 2016	June 30, 2015	Variance
Program Revenues:				
Charges for Services		\$ 239,654	\$ 241,147	\$ (1,493)
Operating Grants and Contributions		5,454,699	5,207,325	247,374
Capital Grants and Contributions		310,869	380,387	(69,518)
General Revenues:				
Property Taxes:				
Levied for operating programs		124,764	122,015	2,749
Levied for debt services		2,141,521	2,036,741	104,780
Levied for capital projects		505,549	494,502	11,047
Total Property Taxes		2,771,834	2,653,258	118,576
State Equalization Guarantee		20,879,977	21,211,320	(331,343)
Investment Income		12,160	15,851	(3,691)
Miscellaneous Income		116,923	91,337	25,586
Transfers to agency funds		-	(850)	850
Gain (Loss) on disposition of assets		4,180	(7,138)	11,318
Special item - donated asset		-	6,200	(6,200)
Total Revenues		\$ 29,790,296	\$ 29,798,837	\$ 116,235
Program Expenses:				
Instruction		\$ 16,493,682	\$ 16,557,581	\$ (63,899)
Support Services-Students		3,170,244	3,048,126	122,118
Support Services-Instruction		334,700	366,679	(31,979)
Support Services-General Administration		745,139	675,445	69,694
Support Services-School Administration		1,919,304	1,747,070	172,234
Total Support Services		6,169,387	5,837,320	332,067
Central Services		803,270	929,832	(126,562)
Operation and Maintenance of Plant		3,865,272	3,961,722	(96,450)
Student Transportation		1,136,804	1,071,697	65,107
Other support services		1,293	48,344	(47,051)
Food Services		1,547,546	1,578,348	(30,802)
Interest and other charges		226,557	306,017	(79,460)
Total Expenses		\$ 30,243,811	\$ 30,290,861	\$ 285,017
Changes in Net Position		\$ (453,515)	\$ (492,024)	\$ 38,509
Restatement for Beginning Balance		\$ -	\$ (34,293,638)	\$ 34,293,638
Net Position - Beginning		4,646,619	39,432,281	\$(34,785,662)
Net Position - Ending		\$ 4,193,104	\$ 4,646,619	\$ (453,515)



Reporting the School District's Most Significant Funds

Information about the Fund Financial Statements

Fund Financial Statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, the Fund Financial Statements focus on the District's most significant funds. The District's major governmental funds are: the General Fund, Title I – IASA, Entitlement IDEA-B, Capital Improvements Senate Bill Nine Fund, and Bond Building Fund.

Information about Governmental Funds

The District's budget is prepared according to New Mexico laws and the New Mexico Public Education Department regulations and is based on accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. During the course of fiscal year 2016, the District amends its budget as needed through Board approval.

Most of the District's activities are reported in governmental funds which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods. These funds are reported using the accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Financial Statements provide a detailed point-in-time view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship of governmental activities reported on the Statement of Net Position and the Governmental Fund Financial Statement are reconciled on page 43 of the financial statements.

About the General Fund

The General Fund is the main operating fund of the District. This year the general fund includes operational (11000), transportation (13000), and instructional materials (14000). As of June 30, 2016, the spendable fund balance of the general fund was \$385,728 representing the total fund balance of the general fund on the Balance Sheet-Governmental Funds. The fund balance of the District's general fund balance decreased by \$108,760 due to the decrease in funding based on student count.

Page 48 shows where the General Fund began the year with an initial budget of \$22,321,303 and ended with a final budget of \$22,469,236. The General Fund is predominately funded by revenues from the New Mexico State Equalization Guarantee Formula (SEG). This fund pays for teaching staff, teaching support staff, special education support staff, maintenance staff, substitutes, and administrative staff. The General Fund also provides the dominant funding for athletics. The General Fund is the main fund whose expenditures are significantly related to the educational process. \$22,460,682 was expended in the year ending June 30, 2016. This resulted in not using \$53,229 in fund balance.



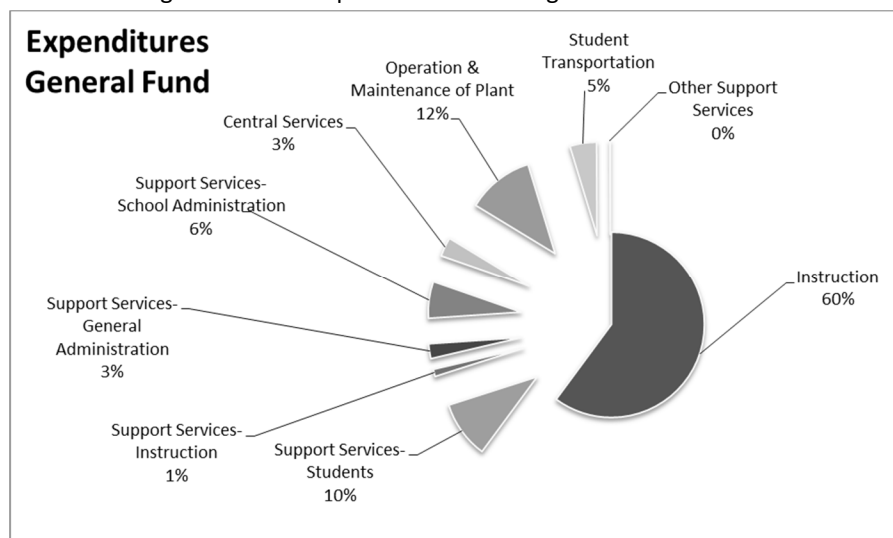
PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2016



General Fund Breakdown

The most significant inter-fund (function) expense in the General Fund was for the function noted as “Instruction” under current expenditures on page 48 of the financial statements (see Figure 1). This expenditure totaled \$13,506,525 and represented 60% of all General Fund expenditures. Expenditures included in this function are regular and special education teachers and assistants, employee benefits, payroll taxes, school supplies, professional development, miscellaneous instructional related contract services, and athletics. Approximately 90% of all General Fund expenditures are from employee salaries, payroll taxes, retirement, and benefits.

Figure 1-Actual Expenditure Percentages for General Fund



Student Support represents 10% of General Fund expenditures. Expenditures included in this function are school principals, instructional assistants, program coordinators, counselors, school nurses, librarians, special education ancillary staff, and contract special education ancillary staff.

Central Services represents 3% of General Fund expenditures. Expenditures included in this function are the Superintendent’s Office, Human Resources, and the Accounting and Finance Office and are overhead for the District.

Operational and Maintenance of Plant account for 12% of the General Fund expenditures. Expenditures included in this function are salaries and benefits for maintenance and custodial staff, utilities, property and liability insurance, maintenance and repairs, maintenance supplies, and custodial supplies. This fund also receives additional support from Senate Bill Nine funds that receives a state match.



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2016



2015-16 District Operating Budget compared to Actual Expenditures

The following table (see Table 3) examines the summary budget performance for three Major Governmental Funds for the fiscal year ending June 30, 2016: General Fund, Food Services, and Entitlement IDEA-B. Detailed budget information is contained on the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual Expenditures for each fund located in the financial statements.

Table 3-Major and Non-Major Funds Expenditure Budget Performance

Major and Non-Major Funds Expenditure Budget Performance			
June 30 2016			
Fund Type	Final Budget	Actual Expenditures	Variance
General Fund (11000, 13000, 14000)	\$ 23,076,955	\$ 22,460,682	\$ 616,273
Food Services (21000)	\$ 1,957,993	\$ 1,265,058	\$ 692,935
Entitlement IDEA-B (24106)	\$ 1,121,716	\$ 781,880	\$ 339,836

All funds fell within the regulatory criteria set by the New Mexico Department of Education and New Mexico State Statute. Both the Manual of Procedures for Public School Accounting and Budgeting and NMSA 8-22-5 require that budget expenditures be within the authorization of the approved budget.

About Agency Funds

The District, as a custodian, maintains and monitors special funds on the behalf of the schools and school activity groups called agency funds. Agency funds maintained by the District are to benefit a specific activity or interest and are generally raised by students for student use. While each school site is responsible for the administration of the agency funds, the custody and use of these funds are in accordance with New Mexico Department of Education regulations and School District policy. The Schedule of Fiduciary Assets and Liabilities – Agency Funds is located in the financial statements on page 51 and additional information is located in the financial statement footnotes. For the year ending June 30, 2016, agency funds show assets of \$602,698.



About Capital Assets

Due to aging facilities, the District has taken an aggressive approach toward investing in equipment, building a new facility, and maintaining existing facilities. Since 2007, the District has followed a Facilities Master Plan, which is a plan that includes substantial investment in District construction, remodeling, and updating of buildings and systems. The District revised the 5 year Facilities Master Plan in 2014, and then again in 2016 to reflect the current needs of the District. The following table (see Table 4) recounts a two-year history of the year-end balances for the District’s investment in capital assets:

Table 4-Capital Asset Comparison June 30, 2016 to June 30, 2015

Fixed Asset Comparison		
Asset Type	Balance June 30, 2016	Balance June 30, 2015
Land	\$ 787,173	\$ 787,173
Building and Improvements	57,529,998	57,115,931
Equipment and Vehicles	6,722,576	6,903,627
Construction in Progress	500,000	-
Total Capital Assets	\$ 65,539,747	\$ 64,806,731
Less: Accumulated Depreciation	(23,708,777)	(22,075,545)
Capital Assets, net	\$ 41,830,970	\$ 42,731,186
Net Change in Capital Assets	\$ (900,216)	

About Long-Term Debt

Article IX, Section 11 of the Constitution of the State of New Mexico limits the amount that a school district can incur of general obligation debt beyond a school year. The approval of the debt is subject to the vote of the local public in Roosevelt County and may not exceed 6% of the assessed valuation of the taxable property within the county. Generally speaking, the District can incur such debt for the purpose of erecting, remodeling, making additions to, furnishing buildings, purchasing or improving school grounds, purchasing computer software or hardware for student use in public classrooms, or any combination of these purposes. Usually, when the District goes out for a General Obligation Bond, the public is informed of exactly how the funds will be used. For example, the \$2.75 million, 2014 Bond was issued for the purpose of Chromebooks for student use for PARCC testing and securing a bus barn to house the District’s three activity buses.

The District has never defaulted on any of its debt or other obligations. Listed below is the District’s total general obligation bond long-term debt as of June 30, 2016 (see Table 5).



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2016



Table 5-Long-term Debt as of June 30, 2016

Long-term Debt			
Date of Issue	Amount of Issue	Balance as of June 30, 2016	Due Within One Year
2009	1,700,000	525,000	525,000
2010	1,900,000	1,900,000	1,000,000
2011	1,400,000	1,300,000	100,000
2013 - Ed Tech	450,000	270,000	90,000
2014	2,750,000	2,750,000	-
2014 - Ed Tech (Taxable)	325,000	257,250	81,300
2014 - Ed Tech (Tax Exempt)	275,000	217,750	68,700
Total Long-term Debt	\$ 8,800,000	\$ 7,220,000	\$ 1,865,000

2015-2016 District Operating Budget

Information about Fund Accounting and District Operating Funds

The District uses funds and a standardized chart of accounts to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and support financial management by segregating transactions related to certain functions or activities. A fund is a separate account entity with a self-balancing set of accounts. Funds are grouped according to the Uniform Chart of Accounts (UCOA) as produced by our federal government and adopted by each state.

The District maintains over 25 funds that comprise our New Mexico Public Education (NMPED) approved District Operating Budget as defined by the NMPED's *Uniform Chart of Accounts: Manual of Operating Procedures*. This process is used to account for all federal, state, local, and privately funded activities. The following fund classifications are used to group District activities: General Funds, Special Revenue Funds, Capital Projects Funds, and Debt Services Fund.

General Funds – The funds included in general funds include Operational, Transportation, and Instructional Materials budgets.

The Operational fund is the major fund used to account for financial transactions and expenditures associated with the administration and daily operations of the District's schools. The State Equalization Guarantee (SEG) is the major revenue component of this fund. The NMPED created a document called *How New Mexico Public Schools are Funded* that is located on the website for the School Budget and Finance Analysis Bureau at <http://www.ped.state.nm.us/div/fin/school.budget/index.html>. According to the document:

The intent of the 1974 Public School Finance Act [22-8-17 through 25 NMSA 1978] is to equalize financial opportunity at the highest possible revenue level and to guarantee each New Mexico



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2016



public school student equal access to programs and services appropriate to his or her educational needs regardless of geographic location or local economic conditions. (April 2012)

This formula uses cost differentials to create the program cost for each school district. A school districts' program costs are determined through the use of various formulas using "program units" which take into consideration early childhood education and basic education on the 80th and 120th day average student membership. These program units are then multiplied by the District's training and experience index to produce the adjusted program units. Those adjusted program units are then added to any special education, bilingual-multicultural education, size, elementary fine arts programs, elementary physical education programs, and at-risk units (if the District qualifies) creating the grand total program units. The grand total units are then multiplied by the unit value for the school year established by the NMPED, creating the total program cost. Total program cost is then reduced by a series of non-categorical revenue credits to determine SEG. Payment is made from the public school fund under the authority of the Director of the School Budget and Finance Analysis Bureau. SEG is set in April for school districts to create the budget of the following year and finalized the following January based on available state revenue.

The Transportation Fund distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of School Budget and Finance Analysis Bureau. As a categorical fund, the allocation is to be used only for the purpose of making payments for the "to-and-from" school transportation cost of students in grades Kindergarten through twelfth attending public school within the District.

The Instructional Materials Fund distribution is allocated to school districts based on NMPED federal mineral leasing funds. Of each allocation, 50% is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, and 50% is available for purchases to vendors chosen by the district.

Special Revenue Funds – The funds included in special revenue funds include Food Services, Athletics, Federal Flow-through and Direct grants, State Flow-through and Direct grants, and Private Direct grants.

The District Food Services fund receives reimbursement under the National School Lunch and Breakfast Programs for food services operations, and the distributions of commodities through the New Mexico Human Services Department. The District manages a Food Services budget of 1,957,993 to provide students lunch and breakfast. As of October 2015, 65% of the District students are qualified to receive meals at free or reduced prices under the Federal Free and Reduced Lunch Program.

The Athletics fund is budgeted in the District in the special revenues category, accounting for all game receipts and game-related expenditures.

The District receives federal Title program grants to support additional instruction for schools with high poverty, professional development for teachers, and bilingual programs. The District receives IDEA B



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2016



special education grants to fund new and growing requirements for students. The District receives dual credit instructional materials funds for students taking college classes at Eastern New Mexico University and Clovis Community College.

The District also can receive Private Direct grants from outside private and corporate sources. Funding provided by grant contract will vary from year to year. Expenditures in this fund are stipulated by individual grant contracts and are subject to the Portales School District Board approval.

Capital Projects Funds – The District maintains capital projects funds to account for all resources used for improving schools, constructing and equipping new school facilities, and renovations. These funds include proceeds from general obligation bond sales (GO Bond) to the private bond market, Senate Bill Nine mill levy elections, and small allocations from legislative and state direct appropriations. The District receives mill levy and ad-valorem tax revenues primarily for debt services and capital outlay purposes. Tax revenues are recognized when they are in the hands of the collecting agency. The District records only the portion of the taxes considered ‘measurable’ and ‘available’ when the cash is received.

Descriptions of the individual debt service and capital outlay are contained in the financial statements footnotes under the Summary of Significant Accounting Policies: Assets, liabilities, and net position or equity/receivables and payables and include information regarding the collection of these taxes. Property taxes attach an enforceable lien on the property as of January 1. Tax notices are sent to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. Roosevelt County collects County, City, and School District taxes and distributes them to each fund once per month except in December and June when the taxes are distributed twice to close out the calendar year and the fiscal year.

Debt Service Fund – The District operates one debt service fund that is used to account for the accumulation of resources for, and payment of, general long-term debt principal and interest payments.

Information about the 2015-16 Operating Budget

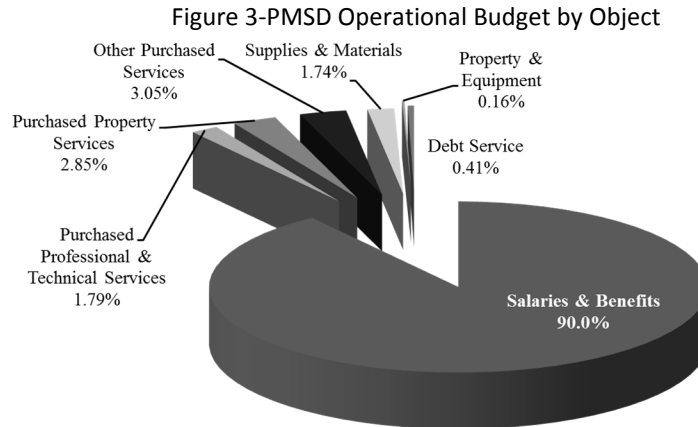
PMSD provided a balanced Operational budget to the School Board and NMPED. This budget had to maintain resources to operate effectively, and honor our valued employees to the best of our abilities mostly because of prudent budgeting techniques and cash balance carryover.



**PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2016**



Here is a breakdown of the percentages of the budget for 2015-16 by object (see Figure 3).



History of Funding in PMSD

Over the past five years, New Mexico public schools have experienced increasing Operational fund revenues due to increases in the SEG unit value (see Table 6).

The 2015-16 budget was built on the \$4,027.75 initial unit value which had increased from the prior year.

Table 6-History of the Unit Value in New Mexico

History of the Unit Value in New Mexico			
School Year	Initial Unit Value	Final Unit Value	
2006-2007	\$3,444.35	\$3,446.44	
2007-2008	\$3,645.77	\$3,674.26	
2008-2009	\$3,892.47	\$3,871.79	
2009-2010	^{1,2} \$3,862.79	\$3,792.65	
2010-2011	^{3,4} \$3,814.04	\$3,712.17	
2011-2012	\$3,585.97	\$3,598.87	
2012-2013	\$3,668.18	\$3,673.54	
2013-2014	\$3,817.55	\$4,005.75	
2014-2015	\$4,005.75	\$4,007.75	
2015-2016	\$4,027.75	\$4,037.75	

1	The initial unit value includes \$256.39 in federal funds from the Federal American Recovery and Reinvestment Act of 2009 (ARRA).
2	The final unit value includes \$334.59 in Federal ARRA funds.
3	The initial unit value includes \$37.70 in Federal ARRA funds.
4	The final unit value includes \$37.85 in Federal ARRA funds.

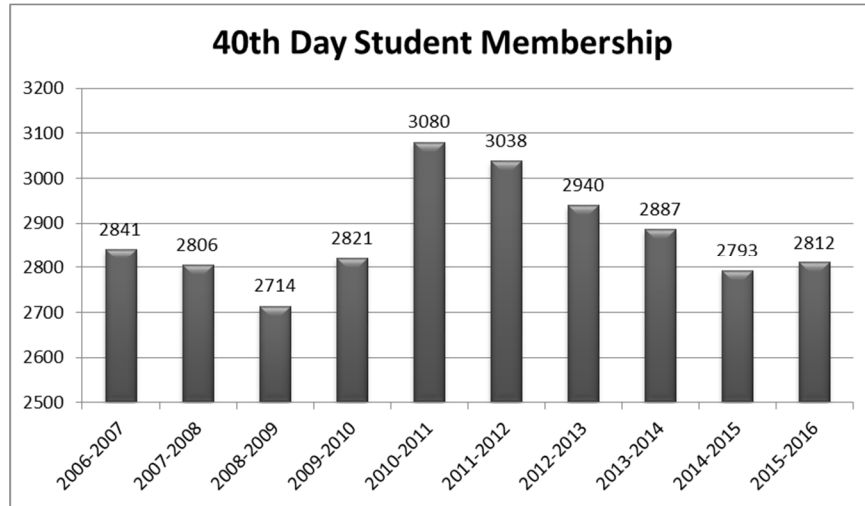


PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2016



What has offset the decrease in student enrollment in the District has been unit value increases. We had a decrease on the 40th day enrollment for 2015-16. Since 2010-2011, we have had decreases in student enrollment numbers (see Figure 2).

Figure 2-40th Day Student Enrollment for Portales Municipal Schools



These economic times along with declining unit value, decreasing student numbers, and greater push for dollars in the classroom, is making it increasingly difficult to sustain an Operational budget that meets student needs.

Our main goal in our budget committee meetings has been to maintain staff throughout the District even though we are seeing a drop in funding. We have been able to meet this goal in the past, but if the funding continues to fall, it will make this increasingly difficult. At the same time, utilities have been placing pressure on the budget by increasing 5-10% each year. Across the economic landscape, many cities, counties, and school districts are struggling with the same increased cost, decreased revenue scenario. All of this being said, PMSD administration, faculty, staff, Board, and constituents are committed to keeping the investment focus in the classroom.

The District Audit and Bond Rating Information

Over the past seven years, PMSD has made progress toward limiting the number of findings for each audit, as well as, timely submission of the audit report to the New Mexico State Auditor’s Office (see Table 6). The 2005 audit was submitted on time, but due to a change in staff, PMSD requested a new audit from a new auditor. This is the reason that the 2005 audit was 465 days late. The 2006 audit could not be filled until after the 2005 audit was accepted by the State Auditor’s office which is why it was 229 days late. Since that time, the audit submission time has improved. The total number of findings has decreased significantly from 2005. This is due to the efforts of the financial management team that was created in 2006 and has since changed to the current staff in 2011. Due to cross training efforts, putting



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2016



policies in place, and professional development opportunities, the financial management team is a stellar group of individuals who strive to do their jobs efficiently and effectively. We are pleased to announce that of the 9 findings from the 2014, 8 were cleared immediately. The 2015 finding required a Board Policy change that has been approved.

Table 6-Audit Information for the last ten years for PMSD

Year Audited	Type of Opinion	Number of Findings	Due Date	Date Submitted to SAO	Days Tardy
2005	Unqualified	22	11/15/2005	2/23/2007	465
2006	Unqualified	11	11/15/2006	7/2/2007	229
2007	Unqualified	1	11/15/2007	11/26/2007	11
2008	Unqualified	1	11/15/2008	11/17/2008	2
2009	Unqualified	1	11/15/2009	11/15/2009	0
2010	Unqualified	1	11/15/2010	11/15/2010	0
2011	Unqualified	0	11/15/2011	11/10/2011	-5
2012	Unqualified	1	11/15/2012	11/15/2012	0
2013	Unqualified	3	11/15/2013	11/15/2013	0
2014	Unqualified	9	11/15/2014	11/12/2014	-3
2015	Unqualified	1	11/15/2015	11/2/2015	-13

Board Elections and Capital Program Sales and Elections

As shown in Table 7, PMSD had a GO Bond and Educational Technology Bond sale in the 2014 fiscal year. The new Five Year Facilitates Master Plan was completed in 2014 to let the community know what needs the District has for the GO Bond sale. GO bond funds are for major construction and major renovation projects in the district.

Table 7-PMSD Public Elections

PMSD Public Elections				
Year	Board Member	GO Bond	Ed Tech	Senate Bill Nine
2014		X	X	
2015	X			
2016			X	
2017	X	X		X
2018			X	
2019	X			
2020			X	
2021	X	X		
2022			X	
2023	X			X

When PMSD sold the \$1.4 million GO Bond in 2011, Moody's Investor Service stated that the PMSD bond rating is Aa1 in a letter dated November 8, 2010. As evidence of credit worthiness, PMSD as an obligor has VERY STRONG capacity to meet its financial commitments. This is evidence that PMSD makes their debt payments on time which is evidence of fiscal accountability.



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2016



Conclusion

The challenge for the District finance team goes beyond meeting the professional standards for fiscal operations represented in this annual audit for 2015-16. We celebrate the improvements in our financial audit performance over the last six years and are committed to continuous improvement every year. However, there is much more involved in being an effective department for the District. Included in the broader challenge is a holistic, forward looking, creative, and mission-focused approach to the annual budget process. This includes ensuring that all activities, agreements, plans, and budgets tie to the best possible instructional and literacy advancements in our students; ensuring all budgets are student centric and reflect NMPED guidance and PMSD Board goals; and ensuring the accountability of all stakeholders to our common purpose through the effective use of resources. Further, the District finance team can continue to be a positive force for fostering collaborative movement to modern best practices. Having a solid foundation of fiscal operations reflected to the public through this 2015-16 audit enables us to reach for our potential in supporting the PMSD Board and administrative staff in their efforts to make PMSD the best District in the state.

The PMSD community is experiencing the paradox between shrinking state and federal revenues and increasing expenditures to support student membership and expanding numbers of special education students and English Language Learners. The paradox is complicated further by burgeoning poverty rates resulting in expanding costs to support student health and wellness needs. In this socio-economic confusion we are challenged to increase student literacy and graduation rates. It is accurate to state that the PMSD administration and Board found a way to sustain our commitment to the classroom in the 2015-16 Operational budget in spite of reductions in state and federal funding. We also conclude that expanding our investment in the classroom to improve literacy is not sustainable without increases in state and federal funding. Our students deserve nothing less than our very best.

Contacting the Portales Municipal School District

This financial report is designed to provide our community, taxpayers, investors, and creditors with an overview of the Portales Municipal School District's financial condition and to provide accountability for the funds the District receives. Questions about this report or additional financial needs should be directed to:

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Statement of Net Position
June 30, 2016

	Primary Government
	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 4,109,822
Investments	2,097
Receivables:	
Property taxes	243,393
Due from other governments	504,431
Other	795
Inventory	15,236
Total current assets	4,875,774
Noncurrent assets	
Restricted assets:	
Cash and cash equivalents	30,693
Investments	169,421
Capital assets	65,539,747
Less: accumulated depreciation	(23,708,777)
Total noncurrent assets	42,031,084
Total assets	46,906,858
Deferred outflows of resources	
Changes in proportion	174,689
Changes of assumption	1,253,738
Employer contributions subsequent to the measurement date	2,178,885
Total deferred outflows of resources	3,607,312
<i>Total assets and deferred outflows of resources</i>	\$ 50,514,170

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

	Primary Government
	Governmental
	Activities
	<hr/>
Liabilities	
Current liabilities	
Accounts payable	\$ 379,309
Accrued payroll	764,403
Accrued interest	76,705
Accrued compensated absences	87,195
Current portion of bonds payable	1,865,000
	<hr/>
Total current liabilities	3,172,612
	<hr/>
Noncurrent liabilities	
Bonds payable	5,355,000
Net pension liability	36,450,816
	<hr/>
Total noncurrent liabilities	41,805,816
	<hr/>
Total liabilities	44,978,428
	<hr/>
Deferred inflows of resources	
Changes in proportion	607,367
Differences between expected and actuarial experience	661,333
Net difference between projected and actual investments earnings on pension plan investments	73,938
	<hr/>
Total deferred inflows of resources	1,342,638
	<hr/>
Net position	
Net investment in capital assets	35,105,414
Restricted for:	
Debt service	620,817
Capital projects	2,093,778
Special revenue	747,721
Unrestricted	(34,374,626)
	<hr/>
Total net position	4,193,104
	<hr/>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 50,514,170</u>

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

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Statement of Activities
For the Year Ended June 30, 2016

<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	\$ 16,493,682	\$ 69,031	\$ 1,894,900
Support services - students	3,170,244	13,268	364,218
Support services - instruction	334,700	1,401	38,452
Support services - general administration	745,139	3,119	85,606
Support services - school administration	1,919,304	8,033	220,502
Central services	803,270	3,362	92,285
Operation and maintenance of plant	3,865,272	16,177	444,068
Student transportation	1,136,804	-	1,044,046
Other support services	1,293	-	-
Food services operations	1,547,546	125,263	1,270,622
Interest and other charges	226,557	-	-
	<hr/>	<hr/>	<hr/>
<i>Total governmental activities</i>	<u>\$ 30,243,811</u>	<u>\$ 239,654</u>	<u>\$ 5,454,699</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

Gain on disposition of assets

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>
\$ 187,599	\$ (14,342,152)
36,058	(2,756,700)
3,807	(291,040)
8,475	(647,939)
21,830	(1,668,939)
9,136	(698,487)
43,964	(3,361,063)
-	(92,758)
-	(1,293)
-	(151,661)
-	(226,557)
<u>\$ 310,869</u>	<u>(24,238,589)</u>

124,764
2,141,521
505,549
20,879,977
12,160
116,923
4,180
23,785,074
(453,515)
4,646,619
\$ 4,193,104

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

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Food Services Special Revenue Fund	Entitlement IDEA-B Special Revenue Fund
	11000, 13000, 14000	21000	24106
<i>Assets</i>			
Cash and cash equivalents	\$ 839,860	\$ 726,501	\$ -
Investments	989	-	-
Receivables:			
Property taxes	11,063	-	-
Due from other governments	-	-	218,977
Other	20	-	-
Inventory	-	15,236	-
Due from other funds	313,658	-	-
<i>Total assets</i>	<u>\$ 1,165,590</u>	<u>\$ 741,737</u>	<u>\$ 218,977</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ 88,392	\$ 891	\$ 63,935
Accrued payroll	684,043	16,992	13,607
Due to other funds	-	-	141,435
<i>Total liabilities</i>	<u>772,435</u>	<u>17,883</u>	<u>218,977</u>
<i>Deferred inflows of resources</i>			
Unavailable revenue - property taxes	7,427	-	-
Unavailable revenue - grants	-	-	-
<i>Total deferred inflows of resources</i>	<u>7,427</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>			
<i>Nonspendable:</i>			
Inventory	-	15,236	-
<i>Spendable</i>			
<i>Restricted for:</i>			
Instructional materials	166,526	-	-
Food services	-	708,618	-
Extracurricular activities	-	-	-
Education	-	-	-
Capital acquisitions and improvements	-	-	-
Debt service	-	-	-
<i>Committed for:</i>			
Subsequent year's expenditures	219,202	-	-
Unassigned	-	-	-
<i>Total fund balances</i>	<u>385,728</u>	<u>723,854</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 1,165,590</u>	<u>\$ 741,737</u>	<u>\$ 218,977</u>

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

Capital Improvements SB-9 Capital Projects Fund 31700	Other Governmental Funds	Total
\$ 1,683,934	\$ 890,220	\$ 4,140,515
-	170,529	171,518
-	232,330	243,393
76,437	209,017	504,431
-	775	795
-	-	15,236
-	-	313,658
<u>\$ 1,760,371</u>	<u>\$ 1,502,871</u>	<u>\$ 5,389,546</u>
\$ 24,305	\$ 201,786	\$ 379,309
-	49,761	764,403
-	172,223	313,658
<u>24,305</u>	<u>423,770</u>	<u>1,457,370</u>
-	155,434	162,861
76,437	-	76,437
<u>76,437</u>	<u>155,434</u>	<u>239,298</u>
-	-	15,236
-	-	166,526
-	-	708,618
-	2,061	2,061
-	22,706	22,706
1,659,629	334,871	1,994,500
-	572,031	572,031
-	-	219,202
-	(8,002)	(8,002)
<u>1,659,629</u>	<u>923,667</u>	<u>3,692,878</u>
<u>\$ 1,760,371</u>	<u>\$ 1,502,871</u>	<u>\$ 5,389,546</u>

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

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STATE OF NEW MEXICO
Portales Municipal School District No. 1
Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2016

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

Fund balances - total governmental funds	\$	3,692,878
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds		41,830,970
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		162,861
Grant revenues not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred revenue in the fund financial statements, but are considered revenue in the Statement of Activities		76,437
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		174,689
Deferred outflows related to changes of assumption		1,253,738
Deferred outflows related to employer contribution subsequent to measurement date		2,178,885
Deferred inflows related to changes in proportion		(607,367)
Deferred inflows related to differences between expected and actuarial experience		(661,333)
Deferred inflows related to net difference between projected and actual investment earnings on pension plan investments		(73,938)
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		(87,195)
Accrued interest payable		(76,705)
Bonds payable		(7,220,000)
Net pension liability		(36,450,816)
<i>Total net position - governmental funds</i>	<u>\$</u>	<u>4,193,104</u>

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

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Food Services Special Revenue Fund	Entitlement IDEA-B Special Revenue Fund
	11000, 13000, 14000	21000	24106
<i>Revenues</i>			
Property taxes	\$ 122,612	\$ -	\$ -
Intergovernmental revenue:			
Federal flowthrough	142,777	1,186,314	847,913
Federal direct	8,959	84,308	-
State flowthrough	198,973	-	-
State direct	20,880,491	-	-
Transportation distribution	1,044,046	-	-
Charges for services	33,346	125,263	-
Investment income	3,572	1,421	-
Miscellaneous	80,118	-	-
<i>Total revenues</i>	<u>22,514,894</u>	<u>1,397,306</u>	<u>847,913</u>
<i>Expenditures</i>			
Current:			
Instruction	13,678,514	-	209,953
Support services - students	2,233,520	-	444,797
Support services - instruction	283,303	-	-
Support services - general administration	581,698	-	34,001
Support services - school administration	1,439,474	-	150,277
Central services	747,074	-	-
Operation and maintenance of plant	2,619,975	-	-
Student transportation	1,044,046	-	8,885
Other support services	230	-	-
Food services operations	-	1,359,149	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>22,627,834</u>	<u>1,359,149</u>	<u>847,913</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(112,940)</u>	<u>38,157</u>	<u>-</u>
<i>Other financing sources (uses)</i>			
Proceeds from sale of capital assets	4,180	-	-
<i>Total other financing sources (uses)</i>	<u>4,180</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	(108,760)	38,157	-
<i>Fund balances - beginning of year</i>	<u>494,488</u>	<u>685,697</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 385,728</u>	<u>\$ 723,854</u>	<u>\$ -</u>

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

Capital Improvements SB-9 Capital Projects Fund 31700	Other Governmental Funds	Total
\$ 482,270	\$ 2,118,659	\$ 2,723,541
-	1,304,961	3,481,965
-	199,865	293,132
358,852	556,340	1,114,165
-	30,275	20,910,766
-	-	1,044,046
-	81,045	239,654
3,657	3,510	12,160
36,805	-	116,923
<u>881,584</u>	<u>4,294,655</u>	<u>29,936,352</u>
-	1,424,890	15,313,357
-	274,645	2,952,962
-	14,659	297,962
4,927	75,416	696,042
-	192,235	1,781,986
-	-	747,074
576,709	420,200	3,616,884
-	16,800	1,069,731
-	-	230
-	54,290	1,413,439
79,165	923,971	1,003,136
-	1,765,000	1,765,000
-	248,405	248,405
<u>660,801</u>	<u>5,410,511</u>	<u>30,906,208</u>
<u>220,783</u>	<u>(1,115,856)</u>	<u>(969,856)</u>
-	-	4,180
-	-	4,180
220,783	(1,115,856)	(965,676)
<u>1,438,846</u>	<u>2,039,523</u>	<u>4,658,554</u>
<u>\$ 1,659,629</u>	<u>\$ 923,667</u>	<u>\$ 3,692,878</u>

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

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STATE OF NEW MEXICO
Portales Municipal School District No. 1
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, 2016

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

Net change in fund balances - total governmental funds	\$	(965,676)
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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		1,003,136
Depreciation expense		(1,902,972)
Book value of capital assets disposed		(380)

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		48,293
Change in unavailable revenue related to grants		(198,529)

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		2,178,885
Pension expense		(2,411,321)

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:

Decrease in accrued compensated absences not due and payable		8,201
Decrease in accrued interest payable		21,848
Principal payments on bonds		1,765,000

<i>Change in net position of governmental activities</i>	\$	(453,515)
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ 121,222	\$ 121,222	\$ 121,547	\$ 325
Intergovernmental revenue:				
Federal flowthrough	95,000	95,000	142,777	47,777
Federal direct	8,920	8,920	8,959	39
State flowthrough	151,942	197,156	199,055	1,899
State direct	20,828,068	20,879,992	20,880,491	499
Transportation distribution	993,251	1,044,046	1,044,046	-
Charges for services	25,000	25,000	33,346	8,346
Investment Income	7,000	7,000	3,572	(3,428)
Miscellaneous	90,900	90,900	80,118	(10,782)
<i>Total revenues</i>	<u>22,321,303</u>	<u>22,469,236</u>	<u>22,513,911</u>	<u>44,675</u>
<i>Expenditures</i>				
Current:				
Instruction	14,401,775	13,997,709	13,506,525	491,184
Support services - students	2,340,466	2,235,497	2,233,520	1,977
Support services - instruction	372,128	284,308	283,303	1,005
Support services - general administration	573,076	599,362	580,916	18,446
Support services - school administration	1,456,020	1,443,214	1,439,236	3,978
Central services	774,806	757,122	747,258	9,864
Operation and maintenance of plant	2,621,083	2,684,356	2,608,924	75,432
Student transportation	993,251	1,044,046	1,044,046	-
Other support services	44,386	31,341	16,954	14,387
Capital outlay	11,000	-	-	-
<i>Total expenditures</i>	<u>23,587,991</u>	<u>23,076,955</u>	<u>22,460,682</u>	<u>616,273</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,266,688)</u>	<u>(607,719)</u>	<u>53,229</u>	<u>660,948</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	1,264,688	603,538	-	(603,538)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Proceeds from sale of capital assets	2,000	4,181	4,180	(1)
<i>Total other financing sources (uses)</i>	<u>1,266,688</u>	<u>607,719</u>	<u>4,180</u>	<u>(603,539)</u>
<i>Net change in fund balance</i>	-	-	57,409	57,409
<i>Fund balance - beginning of year</i>	-	-	1,097,098	1,097,098
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,154,507</u>	<u>\$ 1,154,507</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ 57,409
Adjustments to revenues for taxes and intergovernmental revenue				983
Adjustments to expenditures for supplies and payroll expenditures				<u>(167,152)</u>
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ (108,760)</u>

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

STATE OF NEW MEXICO

Exhibit C-2

Portales Municipal School District No. 1
 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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	1,150,000	1,150,000	1,186,314	36,314
Federal direct	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	145,700	145,700	125,421	(20,279)
Investment income	1,350	1,350	1,421	71
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,297,050</u>	<u>1,297,050</u>	<u>1,313,156</u>	<u>16,106</u>
<i>Expenditures</i>				
Current:				
Instruction	-	-	-	-
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	1,912,391	1,867,993	1,265,058	602,935
Capital outlay	90,000	90,000	-	90,000
<i>Total expenditures</i>	<u>2,002,391</u>	<u>1,957,993</u>	<u>1,265,058</u>	<u>692,935</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(705,341)</u>	<u>(660,943)</u>	<u>48,098</u>	<u>709,041</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	705,341	660,943	-	(660,943)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>705,341</u>	<u>660,943</u>	<u>-</u>	<u>(660,943)</u>
<i>Net change in fund balance</i>	-	-	48,098	48,098
<i>Fund balance - beginning of year</i>	-	-	678,403	678,403
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 726,501</u>	<u>\$ 726,501</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ 48,098
Adjustments to revenues for federal flowthrough grants				84,150
Adjustments to expenditures for food service				(94,091)
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ 38,157</u>

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

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Entitlement IDEA-B Special Revenue Fund (24106)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	587,655	1,121,716	665,865	(455,851)
Federal direct	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>587,655</u>	<u>1,121,716</u>	<u>665,865</u>	<u>(455,851)</u>
<i>Expenditures</i>				
Current:				
Instruction	92,850	245,050	156,346	88,704
Support services	487,805	839,966	616,649	223,317
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	3,000	15,500	8,885	6,615
Food services operations	-	-	-	-
Capital outlay	4,000	21,200	-	21,200
<i>Total expenditures</i>	<u>587,655</u>	<u>1,121,716</u>	<u>781,880</u>	<u>339,836</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(116,015)</u>	<u>(116,015)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(116,015)</u>	<u>(116,015)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(25,420)</u>	<u>(25,420)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (141,435)</u>	<u>\$ (141,435)</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ (116,015)
Adjustments to revenues for federal flowthrough grants				182,048
Adjustments to expenditures for instruction and payroll expenditures				(66,033)
<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
Portales Municipal School District No. 1
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016

Exhibit D-1

Assets

Current assets

Cash and cash equivalents

\$ 455,607

Investments

23,786

Total current assets

479,393

Noncurrent Assets

Capital assets, net of accumulated depreciation of \$105,801

123,305

Total noncurrent assets

123,305

Total assets

\$ 602,698

Liabilities

Accounts payable

\$ 19,433

Accrued payroll

2,642

Due to student organizations

580,623

Total liabilities

\$ 602,698

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

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STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies

Portales Municipal School District No. 1 (the “District”) is a special purpose government corporation governed by an elected five-member Board of Education. The Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to the public school education of the City of Portales 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 six 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, 2016, the District adopted GASB Statements No. 72, *Fair Value Measurement and Application*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, No. 79, *Certain External Investment Pools and Pool Participants*, and a portion of 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*. GASB Statements Nos. 72, 76, and a portion of 79, as well as the implemented portion of Statement No. 73, are required to be implemented for the fiscal year ending June 30, 2016.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government’s financial position.

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 is effective for June 30, 2016 year end and a portion is effective for June 30, 2017 year end. Effective for June 30, 2016 are the amendments for Statement No.s 67 and 68 and assets accumulated for pensions not administered as trusts. The amendments of this pronouncement clarifies application of certain provisions of GASB 67 and 68 with regards to the following issues: (1) Information that is required to be presented as notes to the 10-year schedules of RSI about investment-related factors that significantly affect trends in reported amounts; (2) Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions; and (3) Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

In addition, effective for June 30, 2016 year ends, the requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that, for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

The objective of GASB Statement No. 76 is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. A portion of this pronouncement is effective for June 30, 2016 year end and a portion is effective for June 30, 2017 year end. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool for measuring all of its investments at amortized cost for financial reporting purposes. Professional judgement is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide for qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

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 and GASB Statement No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity

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*.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function 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.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

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.

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.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The *Entitlement IDEA-B Special Revenue Fund* is used to account for federal sources to assist in providing a free appropriate public education to all children with disabilities. The program is funded by the United States government, under the Individuals with Disabilities Education Act, Part B, Sections 611-617, and part D, Section 674 as amended, 20 U.S.C. 1711-1417 and 1420 .

The *Capital Improvements SB-9 - State Capital Projects Fund* is used 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.

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 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.

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.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

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)

The District receives monthly income from a tax levy in Roosevelt 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 2016 is considered “measurable and available” and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2016. 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.

Inventory in the Special Revenue Funds consists of U.S.D.A. commodities and other purchased food and non-food supplies. Commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District’s policies as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Although the Audit Act (Section 12-6-10 NMSA 1978) only requires Districts to capitalize chattels and equipment that cost over \$5,000, the District has decided to use a lower threshold of \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). The District was a Phase II government for purposes of implementing GASB Statement No. 34 however, the District does not have any infrastructure assets to report.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Library books are not capitalized because 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	5-15

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

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)

Deferred Inflows of Resources: In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The District has two types of items, which arises under the modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the items, unavailable revenue - property taxes and unavailable revenue - grants, are 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 \$162,861 related to property taxes and \$76,437 related to grants considered "unavailable." In addition, the District has three 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, change in proportion \$607,367, differences between expected and actuarial experience \$661,333 and net difference between projected and actual investments earnings on pension plan investments \$73,938, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deferred Outflows of Resources: In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The District has three types of items that qualify for reporting in this category. Accordingly, the items changes in proportion \$174,689, changes of assumptions \$1,253,738, and employer contributions subsequent to measurement date in the amount of \$2,178,885. 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; any leave beyond these limits must be used by June 30th of the current contract year.

Qualified employees are entitled to accumulate sick leave. There is a limit of 100 days of sick leave which an employee may accumulate; however, upon termination, sick leave is not paid out to the employee.

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.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

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)

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. 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, 2016, the nonspendable fund balance in the food service fund is made up of inventory in the amount of \$15,236 that is not in spendable form.

Restricted and Committed Fund Balance: At June 30, 2016, the restricted fund balance on the governmental funds balance sheet is made up of \$899,911 restricted for instructional materials, food services, extracurricular activities and education to the students of the District, \$1,994,500, 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 \$572,031 restricted for the payment of principal and interest of the future debt service requirements.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

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)

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, 2016, the District had unspent bond proceeds of \$496,444.
- 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 54-55 and 91-93.
- 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 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 \$20,879,977 in state equalization guarantee distributions during the year ended June 30, 2016.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

E. Revenues (continued)

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 \$2,771,834 in tax revenues in the government-wide financial statements during the year ended June 30, 2016. 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 \$1,044,046 in transportation distributions during the year ended June 30, 2016.

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, 2016 totaled \$198,973.

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 \$358,852 in state SB-9 matching during the year ended June 30, 2016.

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).

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

E. Revenues (continued)

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, 2016.

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.

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.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

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

Budgetary Information (continued)

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.
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, 2016, was properly amended by the District’s Board of Education throughout the year. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
General Fund	\$ (1,266,688)	\$ (607,719)
Food Service Special Revenue Fund	\$ (705,341)	\$ (660,943)
Entitlement IDEA-B Special Revenue Fund	\$ -	\$ -
Capital Improvements SB-9 Capital Projects Fund	\$ (1,513,306)	\$ (1,436,712)
Other Governmental Funds	\$ (1,834,824)	\$ (2,162,935)

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

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

Budgetary Information (continued)

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, 2016.

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.

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.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

NOTE 3. Deposits and Investments (continued)

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, 2016, \$4,986,674 of the District’s bank balances of \$5,260,285 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 \$2,331,007 was uninsured and uncollateralized.

	James Polk Stone		
	Community	US Bank	Total
Amount of deposits	\$ 5,236,674	\$ 23,611	\$ 5,260,285
FDIC coverage	(250,000)	(23,611)	(273,611)
Total uninsured public funds	<u>4,986,674</u>	<u>-</u>	<u>4,986,674</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	<u>2,655,667</u>	<u>-</u>	<u>2,655,667</u>
Uninsured and uncollateralized	<u>\$ 2,331,007</u>	<u>\$ -</u>	<u>\$ 2,331,007</u>
Collateral requirement (50%)	\$ 2,493,337	\$ -	\$ 2,493,337
Pledged securities	<u>2,655,667</u>	<u>-</u>	<u>2,655,667</u>
Over (under) collateralized	<u>\$ 162,330</u>	<u>\$ -</u>	<u>\$ 162,330</u>

The District has funds which are managed by NMFA which are considered restricted cash and cash equivalents in the amount of \$30,693 at Exhibit A-1.

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.

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, 2016. Funds 24101 through 24186 are federal funds and 27107 through 27149 are nonfederal funds. The following individual funds had negative cash balances as of June 30, 2016:

24101	Title I - IASA	\$	142,940
24103	Title 1 Migrant		9,437
24106	Entitlement IDEA-B		141,435
24153	English Language Acquisition		2,383
24154	Teacher/Principal Training/Recruiting		497
24160	Rural & Low-Income Schools		10,730
24186	USHHA/CDC School Health		2,290
27107	2012 GO Bond Student Library Fund		2,793
27149	PreK Initiative		<u>1,153</u>
	Total	<u>\$</u>	<u>313,658</u>

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

NOTE 3. Deposits and Investments (continued)

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	\$ 4,109,822
Restricted cash per Exhibit A-1	30,693
Investments per Exhibit A-1	2,097
Restricted investments Exhibit A-1	169,421
Cash - Statement of Fiduciary Assets and Liabilities per Exhibit D-1	455,607
Investments - Statement of Fiduciary Assets and Liabilities per Exhibit D-1	<u>23,786</u>
 Total cash and cash equivalents	 4,791,426
Add: outstanding checks	1,437,000
Less: deposits in transit	(765,740)
Less: investments held in New MexiGROW LGIP	(2,287)
Less: restricted investments with NMFA	(169,421)
Less: restricted cash and cash equivalents with NMFA	<u>(30,693)</u>
 Bank balance of deposits	 <u><u>\$ 5,260,285</u></u>

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.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

NOTE 3. Deposits and Investments (continued)

As of June 30, 2016 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	77 day- WAM (F) and 44 day-WAM (R)	\$ 2,287	AAAm **
Less: agency investments			
New MexiGROW LGIP		(190)	
Investments per Exhibit A-1		<u>2,097</u>	
U.S. Treasury Money Market Mutual Funds	>365 days	\$ 169,421	Aaa *

* Based on Moody's Rating

** Based on Standard & Poor's rating

At June 30, 2016 there was \$169,421 of U.S. Treasury Money Market Mutual funds classified as restricted cash and cash equivalents at exhibit B-1.

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. The investment held by NMFA is 99% of the District's investment portfolio. 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
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

NOTE 4. Accounts Receivable

Accounts receivable as of June 30, 2016, are as follows:

The above receivables are deemed 100% collectible.

	<u>General Fund</u>	<u>Entitlement IDEA-B</u>	<u>Capital Improvements SB-9- State</u>
Property taxes receivable	\$ 11,063	\$ -	\$ -
Due from other governments:			
Federal sources	-	218,977	-
State sources	-	-	76,437
Miscellaneous	20	-	-
Totals	<u>\$ 11,083</u>	<u>\$ 218,977</u>	<u>\$ 76,437</u>

	<u>Other Governmental Funds</u>	<u>Total</u>
Property taxes receivable	\$ 232,330	\$ 243,393
Due from other governments:		
Federal sources	200,568	419,545
State sources	8,449	84,886
Miscellaneous	775	795
Totals	<u>\$ 442,122</u>	<u>\$ 748,619</u>

The above receivables are deemed 100% collectible.

In accordance with GASB Statement No. 33, property tax revenues in the amount of \$162,861 and grant revenue in the amount of \$76,437 that was not collected within the period of availability have 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.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

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, 2016 is as follows:

<u>Due from Other Funds</u>		<u>Due to Other Funds</u>		<u>Amount</u>
11000	Operational	24101	Title I - IASA	\$ 142,940
11000	Operational	24103	Migrant Children Education	9,437
11000	Operational	24106	Entitlement IDEA-B	141,435
11000	Operational	24153	English Language Acquisition	2,383
11000	Operational	24154	Teacher/Principal Training/Recruiting	497
11000	Operational	24160	Rural & Low Income Schools	10,730
11000	Operational	24186	USHHA/CDC School Health	2,290
11000	Operational	27107	2012 G.O. Bond Student Library Fund	2,793
11000	Operational	27149	PreK Initiative	1,153
		Total		\$ 313,658

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, 2016.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2016, 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, 2016 appear in the Statement of Net Position as follows:

Governmental activities:	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 787,173	\$ -	\$ -	\$ 787,173
Construction in progress	-	500,000	-	500,000
Total capital assets not being depreciated	787,173	500,000	-	1,287,173
Capital assets being depreciated:				
Buildings and improvements	57,115,931	414,067	-	57,529,998
Equipment and vehicles	6,903,627	89,069	270,120	6,722,576
Total capital assets being depreciated	64,019,558	503,136	270,120	64,252,574
Less accumulated depreciation:				
Buildings and improvements	17,441,173	1,484,673	-	18,925,846
Equipment and vehicles	4,634,372	418,299	269,740	4,782,931
Total accumulated depreciation	22,075,545	1,902,972	269,740	23,708,777
Total capital assets, net of depreciation	\$ 42,731,186	\$ (899,836)	\$ 380	\$ 41,830,970

Depreciation expense for the year ended June 30, 2016 was charged to the following functions:

Governmental Activities	
Direct instruction	\$ 1,034,833
Support services-students	188,628
Support services-instruction	34,580
General administration	43,833
School administration	119,194
Central services	49,447
Operation and maintenance of plant	235,815
Student transportation	67,073
Other support services	1,063
Food service operations	128,506
Total	\$ 1,902,972

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

NOTE 6. Capital Assets (continued)

Capital assets, net of accumulated depreciation, at June 30, 2016 appear in the Statement of Fiduciary Assets and Liabilities as follows:

Agency Activities:	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets being depreciated:				
Buildings and improvements	\$ 6,982	\$ -	\$ -	\$ 6,982
Equipment and vehicles	223,198	-	1,074	222,124
Total capital assets being depreciated	<u>230,180</u>	<u>-</u>	<u>1,074</u>	<u>229,106</u>
Less accumulated depreciation:				
Buildings and improvements	535	279	-	814
Equipment and vehicles	80,945	25,116	1,074	104,987
Total accumulated depreciation	<u>81,480</u>	<u>25,395</u>	<u>1,074</u>	<u>105,801</u>
Total capital assets, net of depreciation	<u>\$ 148,700</u>	<u>\$ (25,395)</u>	<u>\$ -</u>	<u>\$ 123,305</u>

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

NOTE 7. Long-term Debt

General obligation bonds are secured by and payable solely from the Debt Service Fund and the Ed Tech 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, 2016 are for governmental activities.

Bonds outstanding at June 30, 2016 are comprised of the following:

	<u>Series 2009</u>	<u>Series 2010</u>	<u>Series 2011</u>
Original Issue:	\$ 1,700,000	\$ 1,900,000	\$ 1,400,000
Principal:	February 1	February 15	January 15
Interest:	February 1 August 1	February 15 August 15	January 15 July 15
Interest Rates:	3.00%	3.00%-3.125%	2.00%-3.00%
Maturity Date:	February 2017	February 2018	January 2019

	<u>ED Tech Bond 2013</u>	<u>Series 2014</u>	<u>ED Tech Bond 2014 (Taxable)</u>
Original Issue:	\$ 450,000	\$ 2,750,000	\$ 325,000
Principal:	August 15	August 1	August 1
Interest:	August 15 February 15	August 1 February 1	February 1 August 1
Interest Rates:	2.30%	1.62%-3.40%	0.37%-2.031%
Maturity Date:	August 2018	August 2028	August 2018

	<u>ED Tech Bond 2014 (Tax-Exempt)</u>
Original Issue:	\$ 275,000
Principal:	August 1
Interest:	February 1 August 1
Interest Rates:	0.9237%-1.6437%
Maturity Date:	August 2018

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

NOTE 7. Long-term Debt (continued)

During the year ended June 30, 2016, the following changes occurred in the liabilities reported in the government-wide Statement of Net Position:

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
General Obligation Bonds Series 2008	\$ 450,000	\$ -	\$ 450,000	\$ -	\$ -
General Obligation Bonds Series 2009	1,525,000	-	1,000,000	525,000	525,000
General Obligation Bonds Series 2010	1,900,000	-	-	1,900,000	1,000,000
General Obligation Bonds Series 2011	1,400,000	-	100,000	1,300,000	100,000
Ed Tech General Obligation Bond Series 2013	360,000	-	90,000	270,000	90,000
General Obligation Bonds Series 2014	2,750,000	-	-	2,750,000	-
Ed Tech General Obligation Bond Series 2014 (Taxable)	325,000	-	67,750	257,250	81,300
Ed Tech General Obligation Bond Series 2014 (Tax- Exempt)	275,000	-	57,250	217,750	68,700
Total Bonds	8,985,000	-	1,765,000	7,220,000	1,865,000
Compensated Absences	98,844	78,464	90,113	87,195	87,195
Total Long-Term Debt	\$ 9,083,844	\$ 78,464	\$ 1,855,113	\$ 7,307,195	\$ 1,952,195

The annual requirements to amortize the general obligation bonds outstanding as of June 30, 2016, including interest payments, are as follows:

Fiscal Year Ending	Principal	Interest	Total Debt Service
2017	\$ 1,865,000	\$ 195,211	\$ 2,060,211
2018	1,590,000	142,460	1,732,460
2019	1,015,000	95,610	1,110,610
2020	100,000	70,678	170,678
2021	225,000	67,632	292,632
2022-2026	1,475,000	240,520	1,715,520
2027-2029	950,000	25,681	975,681
	\$ 7,220,000	\$ 837,792	\$ 8,057,792

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, 2016, compensated absences decreased \$11,649 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.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

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, 2016, there have been no claims that have exceeded insurance coverage.

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.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

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

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

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

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

Contributions. The contribution requirements of plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2015 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, 2016 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the District were \$2,178,885 for the year ended June 30, 2016.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

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

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, 2015. At June 30, 2016, the District reported a liability of \$36,450,816 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, 2015. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2015, the District’s proportion was 0.56275 percent, which was an increase of 0.00415 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$2,411,321. At the June 30, 2016, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 661,333
Changes in proportion	-	607,367
Net difference between projected and actual earnings on pension plan investments	-	73,938
Changes in proportion	174,689	-
Change of assumptions	1,253,738	-
District's contributions subsequent to the measurement date	2,178,885	-
Total	\$ 3,607,312	\$ 1,342,638

\$2,178,885 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:	
2017	\$ (290,118)
2018	(238,824)
2019	108,471
2020	506,260
2021	-
Thereafter	-

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

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

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.
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	90% of RP-2000 Combined Mortality Table with White Collar Adjustment projected to 2014 using Scale AA (one year setback for females)

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

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

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 June 14, 2014. 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 June 14, 2014 as well as the prior allocation policy targets.

Comparative Schedule of Target Investment Allocation

<u>Asset Class</u>	<u>Target Allocation</u>	
	<u>After 6/14/2014</u>	<u>Prior to 6/14/2014</u>
Equities		
<i>Domestic Equities</i>		
Large cap equities	18%	20%
Small- mid cap equities	2%	2%
<i>International Equities</i>		
Developed	5%	5%
Emerging markets	10%	10%
Total equities	<u>35%</u>	<u>37%</u>
Fixed Income		
Opportunistic credit	20%	20%
Core bonds	6%	7%
Emerging market debt	2%	2%
Total fixed income	<u>28%</u>	<u>29%</u>
Alternatives		
Real estate - REITS	7%	5%
Real assets	8%	7%
Private equity	11%	8%
Absolute return	0%	3%
Global asset allocation	5%	5%
Risk parity	5%	5%
Total alternatives	<u>36%</u>	<u>33%</u>
Cash	<u>1%</u>	<u>1%</u>
Total	<u><u>100%</u></u>	<u><u>100%</u></u>

For the years ended June 30, 2015 and 2014, the annual money-weighted rates of return on pension plan investments were for each asset class above 4.06% and 14.71%, respectively.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

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

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

Sensitivity of the 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 (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 49,047,008	\$ 36,450,816	\$ 25,868,703

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, 2015 and June 30, 2014 which are publicly available at www.nmerb.org.

Payables to the pension plan. Portales Municipal 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 \$596,978 for the contributions withheld in the month of June 2017. 7th

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.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

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

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were 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, 2016, 2015, and 2014 were \$313,509, \$480,164, and \$305,639, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

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:

- A. Deficit fund balance of individual funds. The District had the following fund that maintained a deficit fund balance at June 30, 2016:

Nonmajor Funds

Title XIX Medicaid- 25153	\$ 900
Capital Improvements SB-9 - Local-31701	7,102
Total Governmental Funds	\$ 8,002

- B. Excess of expenditures over appropriations. The District did not have any funds with excess of expenditures over appropriations for the year ended June 30, 2016.
- C. Designated cash appropriations in excess of available balance. The District did not have any funds with designated cash appropriations in excess of available balances for the year ended June 30, 2016.

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, 2016 that are to continue into the following fiscal year. These projects are as follows:

	Expected Total
	Project
AC replacement at Valencia Elementary	\$ 547,994
Paving Project at James Elementary	140,543
ENMU stadium	500,000
Total Commitments	\$ 1,188,537

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

NOTE 15. Joint Powers Agreements

The City of Portales and the District are in agreement, as of May 22, 2013 with automatic renewal each year, for the City to provide water for irrigation for Steiner Park and the District will allow use of grounds for various athletic activities. The District is responsible for the maintenance of the grass on the property at all times and the City is responsible for watering of the grass at all times. Capital improvements shall be negotiated each year by both parties and cost divided equally as long as funds are available.

The City of Portales and the District are in agreement, as of March 1, 2011 and with automatic yearly renewals if both parties desire to renew, for the joint use and responsibility of the following described real property: interior and exterior facilities which are located on the Lindsey-Steiner Elementary School campus and which property is owned by the Portales Municipal School District. Interior facilities consist of the gymnasium, cafeteria/dining room, band and chorus rooms, library and computer lab. Exterior facilities consist of the playground/playfields and parking lots.

The City of Portales and the District are in agreement, as of June 9, 2014 with automatic yearly renewal, for the joint use and responsibility of the Portales High School baseball field, Wheeler Park girls' softball field, the Bill Wahlman tennis courts, Lindsey Elementary School, and Steiner Park Property.

Eastern New Mexico University (ENMU) and the District are in agreement, as of May 13, 2013 with yearly renewals, for the District to lease the use of the Greyhound Stadium for regular season football games and any scheduled playoff games. The District will pay \$2,750 per game. The University is responsible for preparing and maintaining all facilities. The District is responsible for ticketing/seating operation and will be the owner of the revenues from ticketing. The District is responsible for contracting all personnel for administrative duties relative with the game and all services as may be needed for the game.

Eastern New Mexico University and the District are in agreement, as of April 22, 2014, for the shared ownership, use, and construction and maintenance cost of a multi-use stadium on real property belonging to ENMU. The District will contribute via issuance of general obligation bonds and pay \$500,000 between July 1, 2015 and June 30, 2016 and another \$500,000 between July 1, 2016 and June 30, 2017. The construction will start no later than July 1, 2018. The District will own an undivided tenancy-in-common interest in the Stadium in a percentage corresponding to a fraction of the numerator of which is \$1 million and the denominator of which is the total construction cost of the stadium. The District's interest will be conveyed by quitclaim deed and will be subject to a tenancy-in-common agreement.

City of Portales and the Portales Police Department and the District are in agreement, as of May 12, 2014, to provide law enforcement and related services to the public schools. In addition a School Resource Officer program will be initiated. The School Resource Officer shall act as an instructor for specialized short term programs. The School Resource Officer shall remain a employee of the City of Portales. This agreement will continue until terminated by either party upon 30 days written notice. The City is responsible for all funds received from the District and the District is responsible for all funds disbursed to the City.

Clovis Community College, Eastern New Mexico University, Eastern New Mexico University - Ruidoso, and Mesalands Community College are each individually in agreement with the District, as of May 2015 with automatic renewal each year, for each College to allow high school students to enroll in college-level courses offered by the College in a dual credit program. Each College waives all general fees for dual credit course and the tuition for high schools students taking dual credit courses. The District is responsible for paying for the required textbooks and other course supplies for the dual credit student.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

NOTE 15. Joint Powers Agreements (continued)

New Mexico Mathematics, Engineering, Science Achievement, Inc (MESA) and the District are in agreement to provide for the MESA program. The District agrees to pay a minimum stipend of \$2,000 per MESA advisor working with a minimum of 20 students and a maximum of 40 students. The District agrees to provide advisor and student transportation to one MESA regional educational activity per year as well as the lodging costs in connection with overnight educational activities that are in addition to those provided by MESA. MESA agrees to pay transportation funding for the MESA Day, Regional Competitions, and other approved activities, subject to budget limitations. MESA agrees to provide funding for transportation, lodging, and designated meals to MESA advisors at all regional and statewide meetings.

NOTE 16. Restricted Net Position

The government-wide statement of net position reports \$3,462,316 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 54-55 and 91-93.

NOTE 17. Subsequent Events

The District entered into two new NMFA loans. The District closed on July 22, 2016 for an NMFA loan of \$2,750,000 which matures August 2030. The District closed on August 19, 2016 for an NMFA loan of \$600,000 with a maturity date of August 2020.

The date to which events occurring after June 30, 2016, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is October 20, 2016, which is the date on which the financial statements were issued.

NOTE 18. Subsequent Pronouncements

In June 2015, GASB Statement 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*, was issued. Effective Date: A portion of this provision of this Statement are effective for financial statements for periods beginning after June 15, 2016. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. This pronouncement will not affect the District's financial statements.

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 August 2015, GASB Statement No. 77 *Tax Abatement Disclosures*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The District will implement this standard during the fiscal year ended June 30, 2017. The District is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Notes to the Financial Statements
June 30, 2016

NOTE 18. Subsequent Pronouncements (continued)

In December 2015, GASB Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In January 2016, GASB Statement No. 80 *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect 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 March 2016, GASB Statement No. 82 *Pension Issues-an amendment of GASB Statement No. 67, No. 68, and No.73*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. 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

Schedule I

Portales Municipal School District No.1
 Schedule of Proportionate Share of the Net Pension Liability
 Educational Retirement Board (ERB) Pension Plan
 Last 10 Fiscal Years*

	2016 Measurement Date (As of and for the Year Ended June 30, 2015)	2015 Measurement Date (As of and for the Year Ended June 30, 2014)
Portales Municipal School District No.1 proportion of the net pension liability (asset)	0.56275%	0.5586%
Portales Municipal School District No.1 proportionate share of the net pension liability (asset)	\$ 36,450,816	\$ 31,874,486
Portales Municipal School District No.1 covered-employee payroll	\$ 15,997,856	\$ 15,400,040
Portales Municipal School District No.1 proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	228%	207%
Plan fiduciary net position as a percentage of the total pension liability	63.97%	66.34%

* 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, Portales Municipal School District No.1 will present information for those years for which information is available.

See independent auditors' report.
 See notes to required supplementary information.

STATE OF NEW MEXICO
Portales Municipal School District No.1
Schedule of Contributions
Educational Retirement Board (ERB) Pension Plan
Last 10 Fiscal Years*

Schedule II

	As of and for the Year Ended June 30, 2016	As of and for the Year Ended June 30, 2015
	<u> </u>	<u> </u>
Contractually required contribution	\$ 2,178,885	\$ 2,223,580
Contributions in relation to the contractually required contribution	<u>2,178,885</u>	<u>2,223,580</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Portales Municipal School District No.1 covered-employee payroll	\$ 15,675,428	\$ 15,997,856
Contribution as a percentage of covered-employee payroll	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, Portales Municipal School District No.1 will present information for those years for which information is available.

See independent auditors' report.
See notes to required supplementary information.

STATE OF NEW MEXICO
Portales Municipal School District No.1
Notes to Required Supplementary Information
June 30, 2016

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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STATE OF NEW MEXICO
Portales Municipal School District No. 1
Nonmajor Governmental Fund Descriptions
June 30, 2016

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.

Migrant Children Education (24103) – To account for federal sources administered by the New Mexico State Public Education Department to provide for special education needs of children of migratory agricultural workers. Authority for the creation of this fund is (P.L. 100-297).

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.

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.

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.

Carl D. Perkins (24174 – Carl D. Perkins Secondary Current) – The objective of this grant is to provide secondary and post-secondary educational institutions the opportunity to develop, implement, and operate programs using different models of curricula that integrate vocational and academic learning. Funds are acquired from federal sources through the New Mexico Public Education Department. Authority for creation of this fund is Carl D. Perkins Vocational and Applied Technology Education Act of 1990, as amended, Public Law 105-332.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Nonmajor Governmental Fund Descriptions
June 30, 2016

Special Revenue Funds (continued)

USHHA/CDC School Health (24186) – To account for funds used to promote adolescent health through school-based Human Immunodeficiency Virus (HIV) / sexually transmitted infections prevention and school-based surveillance program in the state of New Mexico as part of the Youth Resiliency Project. Authorized by U.S. Centers for Disease Control (5-U87PS004195-02).

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.

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.

Golden Apple Foundation (26163) – The purpose of this fund is to account for a program designed to improve the quality of education for all children through recognition, recruitment, and professional development of outstanding teachers. This funding is provided by a private grant with Wells Fargo Golden Apple Foundation Teacher Partner Grant and authorized by the New Mexico Public Education Department.

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 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.

PARCC Readiness (27108) – This fund is used to provide funding for infrastructure upgrades related to Partnership for Assessment of Readiness for College and Careers (PARCC) Readiness based upon supporting materials provided by the District to NMPED. To be used for the network mapping and performance assessments as submitted to NMPED by the District. The funding was made available through the state of New Mexico legislature, laws of 2014, HB55, Chapter 66, Section 47, Item no. 3 as a capital project.

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
Portales Municipal School District No. 1
Nonmajor Governmental Fund Descriptions
June 30, 2016

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.

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.

GRADS Child Care (28189) – To account for a program funded by the Public Education Department for the purpose to establish and maintain an in-school, family and consumer science instructional and intervention program for pregnant and parenting students, which focuses on knowledge and skills related to positive self, pregnancy, parenting and economic independence. Special Revenue fund established by the local school board.

GRADS – Instruction (28190) – To assist in the cost for caps and gowns for students who are graduating. Authority for the creation of this fund is the New Mexico Public Education Department.

Grads Plus (28203) – To account for a program as an instructional component for teenage parents to be used for summer case management and GRADS case management period. Special Revenue fund established by the local school board.

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 - State (31400) – 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.

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.

Education Technology Equipment Act (31900) – To ensure that American children have skills they need to succeed in the information-intensive 21st century, the federal government is committed to working with the private sector to promote four major developments in American education: making modern computer technology an integral part of every classroom; providing information infrastructure; and encouraging the creation of excellent educational software. The authority for the creation of this fund is the Federal Property and Administrative Services Act of 1949, Ch. 288, 63 Stat 377, and the National Defense Authorization Act for the fiscal year 1996, Public Law 104-106.

Debt Service Funds

Debt Service (41000) – To account for the accumulation of financial resources for, and the payment of, general long-term debt principal and interest. Authority for the creation of this fund is the New Mexico Public Education Department.

Ed Tech Debt Service (43000) – To account for the accumulation of financial resources for, and the payment of, general long-term debt principal and interest. Authority for the creation of this fund is the New Mexico Public Education Department.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue			
	Athletics	Title I - IASA	Migrant Children Education	IDEA-B Preschool
	22000	24101	24103	24109
<i>Assets</i>				
Cash and cash equivalents	\$ 2,138	\$ -	\$ -	\$ 1,683
Investments	115	-	-	-
Receivables:				
Property taxes	-	-	-	-
Due from other governments	-	169,110	10,100	-
Other	-	-	-	-
<i>Total assets</i>	<u>\$ 2,253</u>	<u>\$ 169,110</u>	<u>\$ 10,100</u>	<u>\$ 1,683</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 149	\$ -	\$ -
Accrued payroll	192	26,021	663	1,683
Due to other funds	-	142,940	9,437	-
<i>Total liabilities</i>	<u>192</u>	<u>169,110</u>	<u>10,100</u>	<u>1,683</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>Spendable:</i>				
<i>Restricted for:</i>				
Extracurricular activities	2,061	-	-	-
Education	-	-	-	-
Capital acquisitions and improvements	-	-	-	-
Debt service	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>2,061</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 2,253</u>	<u>\$ 169,110</u>	<u>\$ 10,100</u>	<u>\$ 1,683</u>

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

Special Revenue

IDEA-B "Risk Pool" 24120	English Language Acquisition 24153	Teacher/Principal Training /Recruiting 24154	Rural & Low Income Schools 24160	Carl D. Perkins Secondary Current 24174	USHHA/CDC School Health 24186
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	2,495	5,423	11,150	-	2,290
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 2,495</u>	<u>\$ 5,423</u>	<u>\$ 11,150</u>	<u>\$ -</u>	<u>\$ 2,290</u>
\$ -	\$ -	\$ 240	\$ 111	\$ -	\$ -
-	112	4,686	309	-	-
-	2,383	497	10,730	-	2,290
-	2,495	5,423	11,150	-	2,290
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 2,495</u>	<u>\$ 5,423</u>	<u>\$ 11,150</u>	<u>\$ -</u>	<u>\$ 2,290</u>

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

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue			
	Impact Aid Special Education 25145	Title XIX Medicaid 25153	Golden Apple Foundation 26163	Dual Credit Instructional Materials 27103
<i>Assets</i>				
Cash and cash equivalents	\$ 22,300	\$ 8,588	\$ -	\$ -
Investments	-	-	-	-
Receivables:				
Property taxes	-	-	-	-
Due from other governments	-	-	-	-
Other	-	-	-	-
<i>Total assets</i>	<u>\$ 22,300</u>	<u>\$ 8,588</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 80	\$ 900	\$ -	\$ -
Accrued payroll	-	8,588	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>80</u>	<u>9,488</u>	<u>-</u>	<u>-</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>Spendable:</i>				
<i>Restricted for:</i>				
Extracurricular activities	-	-	-	-
Education	22,220	-	-	-
Capital acquisitions and improvements	-	-	-	-
Debt service	-	-	-	-
Unassigned	-	(900)	-	-
<i>Total fund balances</i>	<u>22,220</u>	<u>(900)</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 22,300</u>	<u>\$ 8,588</u>	<u>\$ -</u>	<u>\$ -</u>

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

Special Revenue

2012 G.O. Bond Student Library Fund 27107	PARCC Readiness Special Revenue Fund 27108	New Mexico Reads to Lead 27114	PreK Initiative 27149	Breakfast for Elementary Students 27155	GRADS Child Care 28189
\$ -	\$ -	\$ 3,105	\$ -	\$ -	\$ -
-	-	-	-	-	-
2,793	-	-	5,656	-	-
-	-	-	-	-	-
<u>\$ 2,793</u>	<u>\$ -</u>	<u>\$ 3,105</u>	<u>\$ 5,656</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 117	\$ -	\$ -
-	-	3,105	4,386	-	-
2,793	-	-	1,153	-	-
<u>2,793</u>	<u>-</u>	<u>3,105</u>	<u>5,656</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,793</u>	<u>\$ -</u>	<u>\$ 3,105</u>	<u>\$ 5,656</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	<u>Special Revenue</u>		<u>Capital Projects</u>	
	<u>GRADS - Instruction 28190</u>	<u>GRADS Plus 28203</u>	<u>Bond Building Capital Projects Fund 31100</u>	<u>Special Capital Outlay - State 31400</u>
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ 502	\$ 311,287	\$ -
Investments	-	-	993	-
Receivables:				
Property taxes	-	-	-	-
Due from other governments	-	-	-	-
Other	-	-	-	-
<i>Total assets</i>	<u>\$ -</u>	<u>\$ 502</u>	<u>\$ 312,280</u>	<u>\$ -</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ 53,383	\$ -
Accrued payroll	-	16	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>16</u>	<u>53,383</u>	<u>-</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>				
Spendable:				
Restricted for:				
Extracurricular activities	-	-	-	-
Education	-	486	-	-
Capital acquisitions and improvements	-	-	258,897	-
Debt service	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>-</u>	<u>486</u>	<u>258,897</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ -</u>	<u>\$ 502</u>	<u>\$ 312,280</u>	<u>\$ -</u>

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

Capital Projects		Debt Service		
Capital Improvements SB-9 - Local 31701	Education Technology Equipment Act 31900	Debt Service 41000	Ed Tech Debt Service 43000	Total Nonmajor Governmental Funds
\$ -	\$ 30,693	\$ 258,786	\$ 251,138	\$ 890,220
-	169,421	-	-	170,529
44,732	-	165,210	22,388	232,330
-	-	-	-	209,017
775	-	-	-	775
<u>\$ 45,507</u>	<u>\$ 200,114</u>	<u>\$ 423,996</u>	<u>\$ 273,526</u>	<u>\$ 1,502,871</u>
\$ 22,666	\$ 124,140	\$ -	\$ -	\$ 201,786
-	-	-	-	49,761
-	-	-	-	172,223
<u>22,666</u>	<u>124,140</u>	<u>-</u>	<u>-</u>	<u>423,770</u>
29,943	-	110,372	15,119	155,434
<u>29,943</u>	<u>-</u>	<u>110,372</u>	<u>15,119</u>	<u>155,434</u>
-	-	-	-	2,061
-	-	-	-	22,706
-	75,974	-	-	334,871
-	-	313,624	258,407	572,031
<u>(7,102)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,002)</u>
<u>(7,102)</u>	<u>75,974</u>	<u>313,624</u>	<u>258,407</u>	<u>923,667</u>
<u>\$ 45,507</u>	<u>\$ 200,114</u>	<u>\$ 423,996</u>	<u>\$ 273,526</u>	<u>\$ 1,502,871</u>

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

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue			
	Athletics	Title I - IASA	Migrant Children Education	IDEA-B Preschool
	22000	24101	24103	24109
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue				
Federal flowthrough	-	967,596	80,953	33,799
Federal direct	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	81,045	-	-	-
Investment income	27	-	-	-
<i>Total revenues</i>	81,072	967,596	80,953	33,799
<i>Expenditures</i>				
Current				
Instruction	94,076	736,006	3,308	33,799
Support services - students	-	519	73,252	-
Support services - instruction	-	2,685	-	-
Support services - general administration	-	41,590	3,557	-
Support services - school administration	-	186,796	836	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	94,076	967,596	80,953	33,799
<i>Net change in fund balances</i>	(13,004)	-	-	-
<i>Fund balances - beginning</i>	15,065	-	-	-
<i>Fund balances - end of year</i>	\$ 2,061	\$ -	\$ -	\$ -

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

Special Revenue

IDEA-B "Risk Pool" 24120	English Language Acquisition 24153	Teacher/ Principal Training /Recruiting 24154	Rural & Low Income Schools 24160	Carl D. Perkins Secondary Current 24174	USHHA/CDC School Health 24186
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
560	8,613	162,523	50,917	-	-
-	-	-	-	-	4,114
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>560</u>	<u>8,613</u>	<u>162,523</u>	<u>50,917</u>	<u>-</u>	<u>4,114</u>
-	6,666	152,631	43,426	-	1,744
560	-	-	5,308	-	2,370
-	-	-	-	-	-
-	169	7,067	2,183	-	-
-	1,778	2,825	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>560</u>	<u>8,613</u>	<u>162,523</u>	<u>50,917</u>	<u>-</u>	<u>4,114</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue			
	Impact Aid Special Education 25145	Title XIX Medicaid 25153	Golden Apple Foundation 26163	Dual Credit Instructional Materials 27103
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue				
Federal flowthrough	-	-	-	-
Federal direct	9,974	185,777	-	-
State flowthrough	-	-	-	14,417
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	9,974	185,777	-	14,417
<i>Expenditures</i>				
<i>Current</i>				
Instruction	704	-	12	14,417
Support services - students	4,959	187,677	-	-
Support services - instruction	-	-	-	-
Support services - general administration	-	-	-	-
Support services - school administration	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	5,663	187,677	12	14,417
<i>Net change in fund balances</i>	4,311	(1,900)	(12)	-
<i>Fund balances - beginning</i>	17,909	1,000	12	-
<i>Fund balances - end of year</i>	\$ 22,220	\$ (900)	\$ -	\$ -

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

Special Revenue

2012 G.O. Bond Student Library Fund 27107	PARCC Readiness Special Revenue Fund 27108	New Mexico Reads to Lead 27114	PreK Initiative 27149	Breakfast for Elementary Students 27155	GRADS Child Care 28189
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
11,974	149,772	127,724	198,163	54,290	-
-	-	-	-	-	4,000
-	-	-	-	-	-
-	-	-	-	-	-
<u>11,974</u>	<u>149,772</u>	<u>127,724</u>	<u>198,163</u>	<u>54,290</u>	<u>4,000</u>
-	-	127,724	181,363	-	4,000
-	-	-	-	-	-
11,974	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	16,800	-	-
-	-	-	-	54,290	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>11,974</u>	<u>-</u>	<u>127,724</u>	<u>198,163</u>	<u>54,290</u>	<u>4,000</u>
-	149,772	-	-	-	-
-	(149,772)	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	<u>Special Revenue</u>		<u>Capital Projects</u>	
	<u>GRADS - Instruction 28190</u>	<u>GRADS Plus 28203</u>	<u>Bond Building Capital Projects Fund 31100</u>	<u>Special Capital Outlay - State 31400</u>
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
State flowthrough	-	-	-	-
State direct	9,500	16,000	-	-
Charges for services	-	-	-	-
Investment income	-	-	2,127	-
<i>Total revenues</i>	<u>9,500</u>	<u>16,000</u>	<u>2,127</u>	<u>-</u>
<i>Expenditures</i>				
Current				
Instruction	9,500	15,514	-	-
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	-	-	-	-
Support services - school administration	-	-	-	-
Operation and maintenance of plant	-	-	108,923	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	875,750	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>9,500</u>	<u>15,514</u>	<u>984,673</u>	<u>-</u>
<i>Net change in fund balances</i>	-	486	(982,546)	-
<i>Fund balances - beginning</i>	-	-	1,241,443	-
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ 486</u>	<u>\$ 258,897</u>	<u>\$ -</u>

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

<u>Capital Projects</u>		<u>Debt Service</u>		
<u>Capital Improvements SB-9 - Local 31701</u>	<u>Education Technology Equipment Act 31900</u>	<u>Debt Service 41000</u>	<u>Ed Tech Debt Service 43000</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 14,789	\$ -	\$ 1,843,490	\$ 260,380	\$ 2,118,659
-	-	-	-	1,304,961
-	-	-	-	199,865
-	-	-	-	556,340
775	-	-	-	30,275
-	-	-	-	81,045
-	516	546	294	3,510
<u>15,564</u>	<u>516</u>	<u>1,844,036</u>	<u>260,674</u>	<u>4,294,655</u>
-	-	-	-	1,424,890
-	-	-	-	274,645
-	-	-	-	14,659
-	-	18,274	2,576	75,416
-	-	-	-	192,235
22,666	288,611	-	-	420,200
-	-	-	-	16,800
-	-	-	-	54,290
-	48,221	-	-	923,971
-	-	1,550,000	215,000	1,765,000
-	-	233,740	14,665	248,405
<u>22,666</u>	<u>336,832</u>	<u>1,802,014</u>	<u>232,241</u>	<u>5,410,511</u>
(7,102)	(336,316)	42,022	28,433	(1,115,856)
-	412,290	271,602	229,974	2,039,523
<u>\$ (7,102)</u>	<u>\$ 75,974</u>	<u>\$ 313,624</u>	<u>\$ 258,407</u>	<u>\$ 923,667</u>

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

STATE OF NEW MEXICO

Statement B-1

Portales Municipal School District No. 1

Athletics Special Revenue Fund (22000)

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	70,100	79,831	81,045	1,214
Investment income	200	200	27	(173)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>70,300</u>	<u>80,031</u>	<u>81,072</u>	<u>1,041</u>
<i>Expenditures</i>				
Current				
Instruction	89,159	95,096	93,884	1,212
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>89,159</u>	<u>95,096</u>	<u>93,884</u>	<u>1,212</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(18,859)</u>	<u>(15,065)</u>	<u>(12,812)</u>	<u>2,253</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	18,859	15,065	-	(15,065)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>18,859</u>	<u>15,065</u>	<u>-</u>	<u>(15,065)</u>
<i>Net change in fund balance</i>	-	-	(12,812)	(12,812)
<i>Fund balance - beginning of year</i>	-	-	15,065	15,065
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,253</u>	<u>\$ 2,253</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ (12,812)
No adjustments to revenues				-
Adjustments to expenditures for charges for services				(192)
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ (13,004)</u>

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

STATE OF NEW MEXICO

Statement B-2

Portales Municipal School District No. 1
 Title I - IASA Special Revenue Fund (24101)
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
In governmental revenue				
Federal flowthrough	949,938	1,125,101	1,007,608	(117,493)
Federal direct	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>949,938</u>	<u>1,125,101</u>	<u>1,007,608</u>	<u>(117,493)</u>
<i>Expenditures</i>				
Current				
Instruction	719,297	870,974	729,121	141,853
Support services	230,641	254,127	231,588	22,539
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>949,938</u>	<u>1,125,101</u>	<u>960,709</u>	<u>164,392</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>46,899</u>	<u>46,899</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	46,899	46,899
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(189,839)</u>	<u>(189,839)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (142,940)</u>	<u>\$ (142,940)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 46,899
Adjustments to revenues for federal grants				(40,012)
Adjustments to expenditures for payroll expenditures				(6,887)
<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

Statement B-3

Portales Municipal School District No. 1
Migrant Children Education Special Revenue Fund (24103)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
In governmental revenue				
Federal flowthrough	76,408	82,963	91,710	8,747
Federal direct	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>76,408</u>	<u>82,963</u>	<u>91,710</u>	<u>8,747</u>
<i>Expenditures</i>				
Current				
Instruction	5,188	5,248	5,043	205
Support services	71,220	77,715	77,688	27
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>76,408</u>	<u>82,963</u>	<u>82,731</u>	<u>232</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>8,979</u>	<u>8,979</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	8,979	8,979
<i>Fund balance - beginning of year</i>	-	-	(18,416)	(18,416)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,437)</u>	<u>\$ (9,437)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 8,979
Adjustments to revenues for federal grants				(10,757)
Adjustments to expenditures for payroll expenditures				1,778
<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

Statement B-4

Portales Municipal School District No. 1
 IDEA-B Preschool Special Revenue Fund (24109)
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue				
Federal flowthrough	25,645	62,247	34,107	(28,140)
Federal direct	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>25,645</u>	<u>62,247</u>	<u>34,107</u>	<u>(28,140)</u>
<i>Expenditures</i>				
Current				
Instruction	25,645	62,247	32,118	30,129
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>25,645</u>	<u>62,247</u>	<u>32,118</u>	<u>30,129</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>1,989</u>	<u>1,989</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	1,989	1,989
<i>Fund balance - beginning of year</i>	-	-	(306)	(306)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,683</u>	<u>\$ 1,683</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 1,989
Adjustments to revenues for federal grants				(308)
Adjustments to expenditures for payroll expenditures				(1,681)
<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

Statement B-5

Portales Municipal School District No. 1
 IDEA-B "Risk Pool" Special Revenue Fund (24120)
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue				
Federal flowthrough	-	561	1,046	485
Federal direct	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>561</u>	<u>1,046</u>	<u>485</u>
<i>Expenditures</i>				
Current				
Instruction	-	-	-	-
Support services	-	561	560	1
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>561</u>	<u>560</u>	<u>1</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>486</u>	<u>486</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	486	486
<i>Fund balance - beginning of year</i>	-	-	(486)	(486)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 486
Adjustments to revenues for federal grants				(486)
No adjustments to 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

Statement B-6

Portales Municipal School District No. 1
English Language Acquisition Special Revenue Fund (24153)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue				
Federal flowthrough	15,956	20,544	8,464	(12,080)
Federal direct	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>15,956</u>	<u>20,544</u>	<u>8,464</u>	<u>(12,080)</u>
<i>Expenditures</i>				
Current				
Instruction	14,143	18,335	6,666	11,669
Support services	1,813	2,209	1,835	374
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>15,956</u>	<u>20,544</u>	<u>8,501</u>	<u>12,043</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(37)</u>	<u>(37)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	(37)	(37)
<i>Fund balance - beginning of year</i>	-	-	(2,346)	(2,346)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,383)</u>	<u>\$ (2,383)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ (37)
Adjustments to revenues for federal grants				149
Adjustments to expenditures for payroll expenditures				(112)
<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

Statement B-7

Portales Municipal School District No. 1
Teacher/Principal Training/Recruiting Special Revenue Fund (24154)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue				
Federal flowthrough	145,740	187,076	175,894	(11,182)
Federal direct	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>145,740</u>	<u>187,076</u>	<u>175,894</u>	<u>(11,182)</u>
<i>Expenditures</i>				
Current				
Instruction	138,033	170,092	153,813	16,279
Support services	7,707	16,984	6,911	10,073
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>145,740</u>	<u>187,076</u>	<u>160,724</u>	<u>26,352</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>15,170</u>	<u>15,170</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	15,170	15,170
<i>Fund balance - beginning of year</i>	-	-	(15,667)	(15,667)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (497)</u>	<u>\$ (497)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 15,170
Adjustments to revenues for federal grants				(13,371)
Adjustments to expenditures for payroll expenditures				(1,799)
<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

Statement B-8

Portales Municipal School District No. 1
Rural & Low-Income Schools Special Revenue Fund (24160)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue				
Federal flowthrough	46,460	64,294	46,669	(17,625)
Federal direct	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>46,460</u>	<u>64,294</u>	<u>46,669</u>	<u>(17,625)</u>
<i>Expenditures</i>				
Current				
Instruction	38,463	49,442	43,006	6,436
Support services	2,997	9,852	7,491	2,361
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	5,000	5,000	-	5,000
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>46,460</u>	<u>64,294</u>	<u>50,497</u>	<u>13,797</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(3,828)</u>	<u>(3,828)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	(3,828)	(3,828)
<i>Fund balance - beginning of year</i>	-	-	(6,902)	(6,902)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,730)</u>	<u>\$ (10,730)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ (3,828)
Adjustments to revenues for federal grants				4,248
Adjustments to expenditures for payroll expenditures				(420)
<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

Statement B-9

Portales Municipal School District No. 1
 Carl D. Perkins Secondary Current Special Revenue Fund (24174)
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue				
Federal flowthrough	-	-	521	521
Federal direct	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>521</u>	<u>521</u>
<i>Expenditures</i>				
Current				
Instruction	-	-	-	-
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>521</u>	<u>521</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	521	521
<i>Fund balance - beginning of year</i>	-	-	(521)	(521)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 521
Adjustments to revenues for federal grants				(521)
No adjustments to 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
Portales Municipal School District No. 1
USHHA/CDC School Health Special Revenue Fund (24186)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016

Statement B-10

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue				
Federal flowthrough	-	-	-	-
Federal direct	-	5,000	1,998	(3,002)
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>5,000</u>	<u>1,998</u>	<u>(3,002)</u>
<i>Expenditures</i>				
Current				
Instruction	-	2,311	1,744	567
Support services	-	2,689	2,370	319
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>5,000</u>	<u>4,114</u>	<u>886</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(2,116)</u>	<u>(2,116)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	(2,116)	(2,116)
<i>Fund balance - beginning of year</i>	-	-	(174)	(174)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,290)</u>	<u>\$ (2,290)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ (2,116)
Adjustments to revenues for federal grants				2,116
No adjustments to 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

Statement B-11

Portales Municipal School District No. 1
Impact Aid Special Education Special Revenue Fund (25145)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue				
Federal flowthrough	-	-	-	-
Federal direct	13,000	13,000	9,974	(3,026)
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>13,000</u>	<u>13,000</u>	<u>9,974</u>	<u>(3,026)</u>
<i>Expenditures</i>				
Current				
Instruction	6,000	6,000	704	5,296
Support services	26,201	24,909	4,879	20,030
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>32,201</u>	<u>30,909</u>	<u>5,583</u>	<u>25,326</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(19,201)</u>	<u>(17,909)</u>	<u>4,391</u>	<u>22,300</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	19,201	17,909	-	(17,909)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>19,201</u>	<u>17,909</u>	<u>-</u>	<u>(17,909)</u>
<i>Net change in fund balance</i>	-	-	4,391	4,391
<i>Fund balance - beginning of year</i>	-	-	17,909	17,909
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,300</u>	<u>\$ 22,300</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 4,391
No adjustments to revenues				-
Adjustments to expenditures for general supplies and materials				(80)
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ 4,311</u>

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

STATE OF NEW MEXICO

Statement B-12

Portales Municipal School District No. 1
 Title XIX Medicaid Special Revenue Fund (25153)
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue				
Federal flowthrough	-	-	-	-
Federal direct	-	64,175	185,777	121,602
Local sources	128,261	128,261	-	(128,261)
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>128,261</u>	<u>192,436</u>	<u>185,777</u>	<u>(6,659)</u>
<i>Expenditures</i>				
Current				
Instruction	18,000	-	-	-
Support services	110,261	192,436	181,248	11,188
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>128,261</u>	<u>192,436</u>	<u>181,248</u>	<u>11,188</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>4,529</u>	<u>4,529</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	4,529	4,529
<i>Fund balance - beginning of year</i>	-	-	4,059	4,059
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,588</u>	<u>\$ 8,588</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 4,529
No adjustments to revenues				-
Adjustments to expenditures for payroll expenditures				(6,429)
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ (1,900)</u>

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

STATE OF NEW MEXICO

Statement B-13

Portales Municipal School District No. 1
Golden Apple Foundation Special Revenue Fund (26163)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016

	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	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
Instruction	-	12	12	-
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>12</u>	<u>12</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(12)</u>	<u>(12)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	12	-	(12)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>12</u>	<u>-</u>	<u>(12)</u>
<i>Net change in fund balance</i>	-	-	(12)	(12)
<i>Fund balance - beginning of year</i>	-	-	12	12
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ (12)
No adjustments to revenues				-
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ (12)</u>

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

STATE OF NEW MEXICO

Statement B-14

Portales Municipal School District No. 1
Dual Credit Instructional Materials Special Revenue Fund (27103)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
State flowthrough	-	14,417	14,417	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>14,417</u>	<u>14,417</u>	<u>-</u>
<i>Expenditures</i>				
Current				
Instruction	-	14,417	14,417	-
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>14,417</u>	<u>14,417</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ -
No adjustments to revenues				-
No adjustments to 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

Statement B-15

Portales Municipal School District No. 1
 2012 G.O. Bond Student Library Fund Special Revenue Fund (27107)
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
State flowthrough	25,592	25,612	9,181	(16,431)
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>25,592</u>	<u>25,612</u>	<u>9,181</u>	<u>(16,431)</u>
<i>Expenditures</i>				
Current				
Instruction	-	-	-	-
Support services	25,592	25,612	11,974	13,638
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>25,592</u>	<u>25,612</u>	<u>11,974</u>	<u>13,638</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(2,793)</u>	<u>(2,793)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	(2,793)	(2,793)
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,793)</u>	<u>\$ (2,793)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ (2,793)
Adjustments to revenues for state grants				2,793
No adjustments to 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

Statement B-16

Portales Municipal School District No. 1
 PARCC Readiness Special Revenue Fund (27108)
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
State flowthrough	-	-	149,772	149,772
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>149,772</u>	<u>149,772</u>
<i>Expenditures</i>				
Current				
Instruction	-	-	-	-
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>149,772</u>	<u>149,772</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	149,772	149,772
<i>Fund balance - beginning of year</i>	-	-	(149,772)	(149,772)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 149,772
No adjustments to revenues				-
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ 149,772</u>

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

STATE OF NEW MEXICO

Statement B-17

Portales Municipal School District No. 1
 New Mexico Reads to Lead Special Revenue Fund (27114)
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
State flowthrough	130,000	130,000	141,167	11,167
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>130,000</u>	<u>130,000</u>	<u>141,167</u>	<u>11,167</u>
<i>Expenditures</i>				
Current				
Instruction	130,000	130,000	127,727	2,273
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>130,000</u>	<u>130,000</u>	<u>127,727</u>	<u>2,273</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>13,440</u>	<u>13,440</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	13,440	13,440
<i>Fund balance - beginning of year</i>	-	-	(10,335)	(10,335)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,105</u>	<u>\$ 3,105</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 13,440
Adjustments to revenues for state grants				(13,443)
Adjustments to expenditures for payroll expenditures				<u>3</u>
<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

Statement B-18

Portales Municipal School District No. 1
PreK Initiative Special Revenue Fund (27149)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
State flowthrough	234,816	298,940	195,375	(103,565)
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>234,816</u>	<u>298,940</u>	<u>195,375</u>	<u>(103,565)</u>
<i>Expenditures</i>				
Current				
Instruction	214,816	278,940	179,913	99,027
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	20,000	20,000	16,800	3,200
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>234,816</u>	<u>298,940</u>	<u>196,713</u>	<u>102,227</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(1,338)</u>	<u>(1,338)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	(1,338)	(1,338)
<i>Fund balance - beginning of year</i>	-	-	185	185
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,153)</u>	<u>\$ (1,153)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ (1,338)
Adjustments to revenues for state grants				2,788
Adjustments to expenditures for payroll expenditures				(1,450)
<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

Statement B-19

Portales Municipal School District No. 1
 Breakfast for Elementary Students Special Revenue Fund (27155)
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
State flowthrough	-	54,291	76,847	22,556
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>54,291</u>	<u>76,847</u>	<u>22,556</u>
<i>Expenditures</i>				
Current				
Instruction	-	-	-	-
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	54,291	54,290	1
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>54,291</u>	<u>54,290</u>	<u>1</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>22,557</u>	<u>22,557</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	22,557	22,557
<i>Fund balance - beginning of year</i>	-	-	(22,557)	(22,557)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 22,557
Adjustments to revenues for state grants				(22,557)
No adjustments to 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

Statement B-20

Portales Municipal School District No. 1
GRADS Child Care Special Revenue Fund (28189)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016

	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	4,000	4,000	4,000	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
<i>Expenditures</i>				
Current				
Instruction	4,000	4,000	4,000	-
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ -
No adjustments to revenues				-
No adjustments to 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

Statement B-21

Portales Municipal School District No. 1
GRADS - Instruction Special Revenue Fund (28190)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016

	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	7,500	9,500	9,500	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>7,500</u>	<u>9,500</u>	<u>9,500</u>	<u>-</u>
<i>Expenditures</i>				
Current				
Instruction	7,500	9,500	9,500	-
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>7,500</u>	<u>9,500</u>	<u>9,500</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ -
No adjustments to revenues				-
No adjustments to 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

Statement B-22

Portales Municipal School District No. 1
Grads Plus Special Revenue Fund (28203)Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016

	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	16,000	16,000	16,000	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>	<u>-</u>
<i>Expenditures</i>				
Current				
Instruction	16,000	16,000	15,498	502
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>16,000</u>	<u>16,000</u>	<u>15,498</u>	<u>502</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>502</u>	<u>502</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	502	502
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 502</u>	<u>\$ 502</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 502
No adjustments to revenues				-
Adjustments to expenditures for payroll expenditures				(16)
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ 486</u>

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

STATE OF NEW MEXICO

Statement B-23

Portales Municipal School District No. 1
 Bond Building Capital Projects Fund (31100)
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	2,000	2,000	2,127	127
Miscellaneous	-	-	-	-
Total revenues	2,000	2,000	2,127	127
<i>Expenditures</i>				
Current				
Instruction	-	-	-	-
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	331,000	126,270	116,448	9,822
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	745,295	1,125,884	823,553	302,331
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	1,076,295	1,252,154	940,001	312,153
<i>Excess (deficiency) of revenues over expenditures</i>	(1,074,295)	(1,250,154)	(937,874)	312,280
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	1,074,295	1,250,154	-	(1,250,154)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	1,074,295	1,250,154	-	(1,250,154)
<i>Net change in fund balance</i>	-	-	(937,874)	(937,874)
<i>Fund balance - beginning of year</i>	-	-	1,250,154	1,250,154
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 312,280	\$ 312,280
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ (937,874)
No adjustments to revenues				-
Adjustments to expenditures for capital outlay				(44,672)
<i>Net change in fund balance (GAAP Basis)</i>				\$ (982,546)

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

STATE OF NEW MEXICO

Statement B-24

Portales Municipal School District No. 1
Special Capital Outlay - State Capital Projects Fund (31400)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016

	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	61,393	96,217	-	(96,217)
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>61,393</u>	<u>96,217</u>	<u>-</u>	<u>(96,217)</u>
<i>Expenditures</i>				
Current				
Instruction	-	-	-	-
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	61,393	96,217	-	96,217
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>61,393</u>	<u>96,217</u>	<u>-</u>	<u>96,217</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ -
No adjustments to revenues				-
No adjustments to 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

Statement B-25

Portales Municipal School District No. 1
 Capital Improvements SB-9 - State Capital Projects Fund (31700)
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ 491,357	\$ 491,357	\$ 492,732	\$ 1,375
Intergovernmental revenue				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
State flowthrough	163,963	599,691	358,852	(240,839)
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	3,000	3,000	3,657	657
Miscellaneous	-	36,805	36,805	-
<i>Total revenues</i>	<u>658,320</u>	<u>1,130,853</u>	<u>892,046</u>	<u>(238,807)</u>
<i>Expenditures</i>				
Current				
Instruction	-	-	-	-
Support services	10,000	20,000	4,927	15,073
Central services	-	-	-	-
Operation and maintenance of plant	1,018,552	1,202,367	560,731	641,636
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	1,143,074	1,345,198	79,165	1,266,033
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,171,626</u>	<u>2,567,565</u>	<u>644,823</u>	<u>1,922,742</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,513,306)</u>	<u>(1,436,712)</u>	<u>247,223</u>	<u>1,683,935</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	1,513,306	1,436,712	-	(1,436,712)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,513,306</u>	<u>1,436,712</u>	<u>-</u>	<u>(1,436,712)</u>
<i>Net change in fund balance</i>	-	-	247,223	247,223
<i>Fund balance - beginning of year</i>	-	-	1,436,711	1,436,711
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,683,934</u>	<u>\$ 1,683,934</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 247,223
Adjustments to revenues for taxes				(10,462)
Adjustments to expenditures for capital outlay expenditures				<u>(15,978)</u>
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ 220,783</u>

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

STATE OF NEW MEXICO

Statement B-26

Portales Municipal School District No. 1
 Capital Improvements SB-9 - Local Capital Projects Fund (31701)
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2016

	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	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
Instruction	-	-	-	-
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ -
Adjustments to revenues for taxes				15,564
Adjustments to expenditures for capital outlay expenditures				<u>(22,666)</u>
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ (7,102)</u>

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

STATE OF NEW MEXICO

Statement B-27

Portales Municipal School District No. 1
 Education Technology Equipment Act Capital Projects Fund (31900)
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2016

	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	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	400	516	116
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>400</u>	<u>516</u>	<u>116</u>
<i>Expenditures</i>				
Current				
Instruction	-	-	-	-
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	211,903	374,562	174,594	199,968
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	200,000	48,222	48,221	1
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>411,903</u>	<u>422,784</u>	<u>222,815</u>	<u>199,969</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(411,903)</u>	<u>(422,384)</u>	<u>(222,299)</u>	<u>200,085</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	411,903	422,384	-	(422,384)
<i>Total other financing sources (uses)</i>	<u>411,903</u>	<u>422,384</u>	<u>-</u>	<u>(422,384)</u>
<i>Net change in fund balance</i>	-	-	(222,299)	(222,299)
<i>Fund balance - beginning of year</i>	-	-	422,413	422,413
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,114</u>	<u>\$ 200,114</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ (222,299)
No adjustments to revenues				-
Adjustments to expenditures for operation and maintenance expenditures				(114,017)
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ (336,316)</u>

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

STATE OF NEW MEXICO

Statement B-28

Portales Municipal School District No. 1

Debt Service Fund (41000)

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ 1,783,741	\$ 1,783,741	\$ 1,827,362	\$ 43,621
Intergovernmental revenue				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	400	400	546	146
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,784,141</u>	<u>1,784,141</u>	<u>1,827,908</u>	<u>43,767</u>
<i>Expenditures</i>				
Current				
Instruction	-	-	-	-
Support services	20,000	20,000	18,274	1,726
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	2,020,639	1,763,293	1,550,000	213,293
Interest	233,741	233,741	233,740	1
<i>Total expenditures</i>	<u>2,274,380</u>	<u>2,017,034</u>	<u>1,802,014</u>	<u>215,020</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(490,239)</u>	<u>(232,893)</u>	<u>25,894</u>	<u>258,787</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	490,239	232,893	-	(232,893)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>490,239</u>	<u>232,893</u>	<u>-</u>	<u>(232,893)</u>
<i>Net change in fund balance</i>	-	-	25,894	25,894
<i>Fund balance - beginning of year</i>	-	-	232,892	232,892
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 258,786</u>	<u>\$ 258,786</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 25,894
Adjustments to revenues for taxes				16,128
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ 42,022</u>

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

STATE OF NEW MEXICO

Statement B-29

Portales Municipal School District No. 1

Ed Tech Debt Service Fund (43000)

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ 229,666	\$ 229,666	\$ 257,571	\$ 27,905
Intergovernmental revenue				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	300	300	294	(6)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>229,966</u>	<u>229,966</u>	<u>257,865</u>	<u>27,899</u>
<i>Expenditures</i>				
Current				
Instruction	-	-	-	-
Support services	4,000	4,000	2,576	1,424
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	443,530	436,815	215,000	221,815
Interest	14,666	14,666	14,665	1
<i>Total expenditures</i>	<u>462,196</u>	<u>455,481</u>	<u>232,241</u>	<u>223,240</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(232,230)</u>	<u>(225,515)</u>	<u>25,624</u>	<u>251,139</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	232,230	225,515	-	(225,515)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>232,230</u>	<u>225,515</u>	<u>-</u>	<u>(225,515)</u>
<i>Net change in fund balance</i>	-	-	25,624	25,624
<i>Fund balance - beginning of year</i>	-	-	225,514	225,514
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251,138</u>	<u>\$ 251,138</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 25,624
Adjustments to revenues for taxes				2,809
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ 28,433</u>

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

GENERAL FUND

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Combining Balance Sheet
General Fund
June 30, 2016

Statement C-1

	Operating 11000	Pupil Transportation 13000	Instructional Materials 14000	Total
<i>Assets</i>				
Cash and cash equivalents	\$ 668,628	\$ -	\$ 171,232	\$ 839,860
Investments	989	-	-	989
Receivables:				
Property taxes	11,063	-	-	11,063
Other	20	-	-	20
Due from other funds	313,658	-	-	313,658
<i>Total assets</i>	<u>\$ 994,358</u>	<u>\$ -</u>	<u>\$ 171,232</u>	<u>\$ 1,165,590</u>
 <i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 83,686	\$ -	\$ 4,706	\$ 88,392
Accrued payroll	684,043	-	-	684,043
<i>Total liabilities</i>	<u>767,729</u>	<u>-</u>	<u>4,706</u>	<u>772,435</u>
 <i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	7,427	-	-	7,427
<i>Total deferred inflows of resources</i>	<u>7,427</u>	<u>-</u>	<u>-</u>	<u>7,427</u>
 <i>Fund Balances</i>				
<i>Spendable:</i>				
<i>Restricted for:</i>				
Instructional materials	-	-	166,526	166,526
<i>Committed for:</i>				
Subsequent year's expenditures	219,202	-	-	219,202
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>219,202</u>	<u>-</u>	<u>166,526</u>	<u>385,728</u>
 <i>Total liabilities, deferred inflows of resources, and fund balances</i>	 <u>\$ 994,358</u>	 <u>\$ -</u>	 <u>\$ 171,232</u>	 <u>\$ 1,165,590</u>

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

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
General Fund
For the Year Ended June 30, 2016

Statement C-2

	Operating 11000	Pupil Transportation 13000	Instructional Materials 14000	Total
<i>Revenues</i>				
Property taxes	\$ 122,612	\$ -	\$ -	\$ 122,612
Intergovernmental revenue				
Federal flowthrough	142,777	-	-	142,777
Federal direct	8,959	-	-	8,959
State flowthrough	-	-	198,973	198,973
State direct	20,880,491	-	-	20,880,491
Transportation distribution	-	1,044,046	-	1,044,046
Charges for services	33,346	-	-	33,346
Investment income	3,572	-	-	3,572
Miscellaneous	80,118	-	-	80,118
<i>Total revenues</i>	<u>21,271,875</u>	<u>1,044,046</u>	<u>198,973</u>	<u>22,514,894</u>
<i>Expenditures</i>				
Current				
Instruction	13,564,166	-	114,348	13,678,514
Support services - students	2,233,520	-	-	2,233,520
Support services - instruction	283,303	-	-	283,303
Support services - general administration	581,698	-	-	581,698
Support services - school administration	1,439,474	-	-	1,439,474
Central services	747,074	-	-	747,074
Operation and maintenance plant	2,619,975	-	-	2,619,975
Student transportation	-	1,044,046	-	1,044,046
Other support services	230	-	-	230
<i>Total expenditures</i>	<u>21,469,440</u>	<u>1,044,046</u>	<u>114,348</u>	<u>22,627,834</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(197,565)</u>	<u>-</u>	<u>84,625</u>	<u>(112,940)</u>
<i>Other financing sources (uses)</i>				
Proceeds from sale of capital assets	4,180	-	-	4,180
<i>Total other financing sources (uses)</i>	<u>4,180</u>	<u>-</u>	<u>-</u>	<u>4,180</u>
<i>Net change in fund balances</i>	(193,385)	-	84,625	(108,760)
<i>Fund balances - beginning of year</i>	<u>412,587</u>	<u>-</u>	<u>81,901</u>	<u>494,488</u>
<i>Fund balances - end of year</i>	<u>\$ 219,202</u>	<u>\$ -</u>	<u>\$ 166,526</u>	<u>\$ 385,728</u>

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

STATE OF NEW MEXICO

Statement C-3

Portales Municipal School District No. 1

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ 121,222	\$ 121,222	\$ 121,547	\$ 325
Intergovernmental revenue				
Federal flowthrough	95,000	95,000	142,777	47,777
Federal direct	8,920	8,920	8,959	39
State flowthrough	-	-	-	-
State direct	20,828,068	20,879,992	20,880,491	499
Charges for services	25,000	25,000	33,346	8,346
Investment income	7,000	7,000	3,572	(3,428)
Miscellaneous	90,900	90,900	80,118	(10,782)
<i>Total revenues</i>	<u>21,176,110</u>	<u>21,228,034</u>	<u>21,270,810</u>	<u>42,776</u>
<i>Expenditures</i>				
Current				
Instruction	14,187,390	13,713,096	13,391,245	321,851
Support services - students	2,340,466	2,235,497	2,233,520	1,977
Support services - instruction	372,128	284,308	283,303	1,005
Support services - general administration	573,076	599,362	580,916	18,446
Support services - school administration	1,456,020	1,443,214	1,439,236	3,978
Central services	774,806	757,122	747,258	9,864
Operation and maintenance of plant	2,621,083	2,684,356	2,608,924	75,432
Other support services	44,386	31,341	16,954	14,387
Capital outlay	11,000	-	-	-
<i>Total expenditures</i>	<u>22,380,355</u>	<u>21,748,296</u>	<u>21,301,356</u>	<u>446,940</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,204,245)</u>	<u>(520,262)</u>	<u>(30,546)</u>	<u>489,716</u>
<i>Other financing sources (uses)</i>				
Designated cash balance (budgeted increase in cash)	1,202,245	516,081	-	(516,081)
Transfers (out)	-	-	-	-
Proceeds from sale of capital assets	2,000	4,181	4,180	(1)
<i>Total other financing sources (uses)</i>	<u>1,204,245</u>	<u>520,262</u>	<u>4,180</u>	<u>(516,082)</u>
<i>Net change in fund balance</i>	-	-	(26,366)	(26,366)
<i>Fund balance - beginning of year</i>	-	-	1,009,641	1,009,641
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 983,275</u>	<u>\$ 983,275</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ (26,366)
Adjustments to revenues for taxes and intergovernmental revenue				1,065
Adjustments to expenditures for supplies and payroll expenditures				(168,084)
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ (193,385)</u>

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

STATE OF NEW MEXICO

Statement C-4

Portales Municipal School District No. 1

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, 2016

	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	993,251	1,044,046	1,044,046	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>993,251</u>	<u>1,044,046</u>	<u>1,044,046</u>	<u>-</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	993,251	1,044,046	1,044,046	-
Other support services	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>993,251</u>	<u>1,044,046</u>	<u>1,044,046</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash balance (budgeted increase in cash)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ -
No adjustments to revenues				-
No adjustments to 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

Statement C-5

Portales Municipal School District No. 1

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
State flowthrough	151,942	197,156	199,055	1,899
State direct	-	-	-	-
Transportation distribution	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>151,942</u>	<u>197,156</u>	<u>199,055</u>	<u>1,899</u>
<i>Expenditures</i>				
Current				
Instruction	214,385	284,613	115,280	169,333
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	-	-	-	-
<i>Total expenditures</i>	<u>214,385</u>	<u>284,613</u>	<u>115,280</u>	<u>169,333</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(62,443)</u>	<u>(87,457)</u>	<u>83,775</u>	<u>171,232</u>
<i>Other financing sources (uses)</i>				
Designated cash balance (budgeted increase in cash)	62,443	87,457	-	(87,457)
<i>Total other financing sources (uses)</i>	<u>62,443</u>	<u>87,457</u>	<u>-</u>	<u>(87,457)</u>
<i>Net change in fund balance</i>	-	-	83,775	83,775
<i>Fund balance - beginning of year</i>	-	-	87,457	87,457
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 171,232</u>	<u>\$ 171,232</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 83,775
Adjustments to revenue for state grants				(82)
Adjustments to expenditures for instructional materials				932
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ 84,625</u>

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

SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
Portales Municipal School District No. 1
Schedule of Deposits
June 30, 2016

Schedule III

<u>Bank Account Type/ Name</u>	<u>James Polk Stone Community Bank</u>	<u>LGIP</u>	<u>US Bank</u>	<u>NMFA</u>	<u>Total</u>
Operational - Checking	\$ 122,819	\$ -	\$ -	\$ -	\$ 122,819
Cafeteria - Checking	709,509	-	-	-	709,509
Payroll Clearing - Checking *	1,438,551	-	-	-	1,438,551
Capital - Checking	2,505,145	-	-	-	2,505,145
Accounts Payable Clearing - Checking *	5,836	-	-	-	5,836
Athletic - Checking	1,946	-	-	-	1,946
Activity - Checking	452,868	-	-	-	452,868
Operational Investment	-	989	-	-	989
Athletic - Investment	-	115	-	-	115
Capital - Investment	-	993	-	-	993
Activity - Investment	-	190	-	-	190
Activity - Certificate of Deposit	-	-	23,611	-	23,611
Ed Tech Bond - Tax-Exempt	-	-	-	153,045	153,045
Ed Tech Bond - Taxable	-	-	-	47,069	47,069
Total	5,236,674	2,287	23,611	200,114	5,462,686
Reconciling items	(671,260)	-	-	-	(671,260)
<i>Reconciled balance June 30, 2016</i>	<u>\$ 4,565,414</u>	<u>\$ 2,287</u>	<u>\$ 23,611</u>	<u>\$ 200,114</u>	4,791,426
					Less: investments per Exhibit A-1 (2,097)
					Less: restricted investments per Exhibit A-1 (169,421)
					Less: restricted cash per Exhibit A-1 (30,693)
					Less: agency cash per Exhibit D-1 (455,607)
					Less: agency investments per Exhibit D-1 (23,786)
					<u>Cash and cash equivalents per Exhibit A-1</u> <u>\$4,109,822</u>

* Not interest bearing accounts

See independent auditors' report.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Cash Reconciliation
For the Year Ended June 30, 2016

	Operational	Transportation	Instructional	Food
	11000	13000	Materials	Services
	11000	13000	14000	21000
PED cash				
June 30, 2015	\$ 501,695	\$ -	\$ 87,457	\$ 660,942
Add:				
2015-2016 receipts	21,274,991	1,044,046	199,055	1,313,156
Repayment of loans	-	-	-	-
Loans from other funds	-	-	-	-
Reimbursement from NMFA	-	-	-	-
Total cash available	<u>21,776,686</u>	<u>1,044,046</u>	<u>286,512</u>	<u>1,974,098</u>
Less:				
2015-2016 expenditures	(21,477,453)	(1,044,046)	(115,280)	(1,264,589)
Repayment of prior year loans	-	-	-	-
Repayment of SEG over payment	-	-	-	-
Loans to other funds	-	-	-	-
Cash per PED	<u>299,233</u>	<u>-</u>	<u>171,232</u>	<u>709,509</u>
Add / Less:				
Loans for negative cash	(313,658)			-
Investments	(989)	-	-	-
Restricted investments	-	-	-	-
Restricted cash	-	-	-	-
Held checks	684,042	-	-	16,992
<i>Cash per financial statement</i>	<u>\$ 668,628</u>	<u>\$ -</u>	<u>\$ 171,232</u>	<u>\$ 726,501</u>

See independent auditors' report.

Athletics 22000	Non-Instructional Support 23000	Federal Flowthrough 24000	Federal Direct 25000	Local Grants 26000
\$ 15,065	\$ 489,542	\$ (287,878)	\$ 18,909	\$ 12
81,072	730,268	2,033,882	195,751	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>96,137</u>	<u>1,219,810</u>	<u>1,746,004</u>	<u>214,660</u>	<u>12</u>
(94,076)	(743,056)	(2,101,114)	(192,360)	(12)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>2,061</u>	<u>476,754</u>	<u>(355,110)</u>	<u>22,300</u>	<u>-</u>
-	-	309,712	-	-
(115)	(23,786)	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>192</u>	<u>2,639</u>	<u>47,081</u>	<u>8,588</u>	<u>-</u>
<u>\$ 2,138</u>	<u>\$ 455,607</u>	<u>\$ 1,683</u>	<u>\$ 30,888</u>	<u>\$ -</u>

See independent auditors' report.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Cash Reconciliation
For the Year Ended June 30, 2016

	State Flowthrough 27000	State Direct 28000	Bond Building 31100	Special Capital Outlay - State 31400
PED cash				
June 30, 2015	\$ (188,640)	\$ -	\$ 1,250,154	\$ -
Add:				
2015-2016 receipts	586,759	29,500	2,127	-
Repayment of loans	-	-	-	-
Loans from other funds	-	-	-	-
Reimbursement from NMFA	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total cash available	398,119	29,500	1,252,281	-
Less:				
2015-2016 expenditures	(406,451)	(29,014)	(940,001)	-
Repayment of prior year loans	-	-	-	-
Repayment of SEG over payment	-	-	-	-
Loans to other funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Cash per PED	(8,332)	486	312,280	-
Add / Less:				
Loans for negative cash	3,946	-	-	-
Investments	-	-	(993)	-
Restricted investments	-	-	-	-
Restricted cash	-	-	-	-
Held checks	7,491	16	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Cash per financial statement</i>	<u>\$ 3,105</u>	<u>\$ 502</u>	<u>\$ 311,287</u>	<u>\$ -</u>

See independent auditors' report.

Capital Improvements SB-9 31700	Education Technology Equipment Act 31900	Debt Service 41000	Ed Tech Debt Service 43000	Total
\$ 1,436,711	\$ 12,600	\$ 232,892	\$ 225,514	\$ 4,454,975
892,046	-	1,827,908	257,865	30,468,426
-	-	-	-	-
-	-	-	-	-
-	210,215	-	-	210,215
<u>2,328,757</u>	<u>222,815</u>	<u>2,060,800</u>	<u>483,379</u>	<u>35,133,616</u>
(644,823)	(222,815)	(1,802,014)	(232,241)	(31,309,345)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>1,683,934</u>	<u>-</u>	<u>258,786</u>	<u>251,138</u>	<u>3,824,271</u>
-	-	-	-	-
-	-	-	-	(25,883)
-	-	-	-	-
-	30,693	-	-	30,693
-	-	-	-	767,041
<u>\$ 1,683,934</u>	<u>\$ 30,693</u>	<u>\$ 258,786</u>	<u>\$ 251,138</u>	<u>\$ 4,596,122</u>

Cash balance above	\$ 4,596,122
Less: agency cash per Exhibit D-1	(455,607)
<i>Cash and restricted cash per Exhibit B-1</i>	<u>\$ 4,140,515</u>
Investment balance above	25,883
Less: agency investment per Exhibit D-1	(23,786)
<i>Investment per Exhibit B-1</i>	<u>\$ 2,097</u>

See independent auditors' report.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Schedule of Collateral Pledged by Depository for Public Funds
June 30, 2016

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, 2016</u>
James Polk Stone Community Bank				
	FMAC	4/19/2017	30769QAAB	\$ 1,035,523
	FFCB CALL AFTER 9/2/16	9/2/2025	3133EFBU0	500,566
	FHLB CALL QTRLY STEP	8/13/2027	3133GOVJ7	700,207
	Hobbs NM SD #16 BQ Call GO	9/15/2019	433866EC0	102,822
	Hobbs NM SCH Dist #16 GO	9/15/2021	433866FY1	<u>316,549</u>
	Total James Polk Stone Community Bank			<u>2,655,667</u>
	Name and location of safekeeper for above pledged collateral: The Independent Bankersbank			
	<i>Total pledged collateral</i>			<u><u>\$ 2,655,667</u></u>

See independent auditors' report.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Schedule of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2016

Schedule VI

	July 1, 2015	Additions	Deletions	June 30, 2016
Administration	\$ 177,042	\$ 105,484	\$ 160,802	\$ 121,724
High School	91,604	261,537	233,263	119,878
Junior High School	40,433	87,683	59,234	68,882
Brown Elementary	17,816	21,501	21,150	18,167
James Elementary	18,476	16,584	15,182	19,878
Lindsey-Steiner Elementary	12,433	35,977	31,502	16,908
Valencia Elementary	56,690	47,723	61,976	42,437
Portales High School Daycare	76,873	153,775	159,129	71,519
<i>Totals</i>	\$ 491,367	\$ 730,264	\$ 742,238	479,393
Capital assets, net of accumulated depreciation of \$105,801				123,305
<i>Total agency assets per Exhibit D-1</i>				\$ 602,698
Accounts payable				\$ 19,433
Accrued payroll				2,642
Due to student organizations				580,623
<i>Total agency liabilities per Exhibit D-1</i>				\$ 602,698

See independent auditors' report.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Schedule of Vendor Information for Purchases Exceeding \$60,000 (Excluding GRT)
June 30, 2016

Prepared by Agency Staff Title: Purchasing Agent Date: August 1, 2016

<u>RFB#/ RFP#</u>	<u>Type of Procurement</u>	<u>Awarded Vendor</u>	<u>Amount of Awarded Contract</u>	<u>Amount of Amended Contract</u>
15-16-0021	Request for Proposal	Labatt New Mexico, LLC	Variable	N/A
		Gandy's Dairies, LLC	Variable	N/A
		Bimbo Bakeries USA	Variable	N/A

See independent auditors' report.

Name and Physical Address of <u>ALL</u> Vendor(s) That Responded	In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor In-State and Chose Veteran's Preference (Y or N)	Description of Work
Labatt New Mexico, LLC 1120 Valentine Rd. Farmington, NM 87401 Ben E. Keith	Y	Y	Food and cafeteria supplies services
2300 N. Lakeside Amarillo, TX 79108 Shamrock Foods	N	N	
2 Shamrock Way NW Albuquerque, NM 87120 Gandy's Dairies, LLC	Y	N	Milk services for district cafeterias
201 University Ave Lubbock, TX 79415 Shamrock Foods	N	N	
2 Shamrock Way NW Albuquerque, NM 87120 Bimbo Bakeries USA P.O. Box 937 Forth Worth, TX 76101	Y	N	Bakery services for district cafeterias
	N	N	

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
Portales Municipal School District No. 1
Portales, 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 of the Portales Municipal School District No. 1 (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the combining and individual funds and related budgetary comparisons of the District presented as supplementary information, and have issued our report thereon dated October 20, 2016.

Internal Control Over Financial Reporting

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

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

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

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

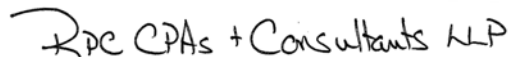
We noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 Findings as items NM 2016-001 and NM 2016-002.

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
October 20, 2016

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FEDERAL FINANCIAL ASSISTANCE

**REPORT ON COMPLIANCE FOR EACH 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
Portales Municipal School District No. 1
Portales, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Portales Municipal School District No. 1'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 each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are 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 each of the District's major federal programs 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 each 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 programs for the year ended June 30, 2016.

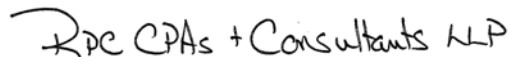
Report on Internal Control Over Compliance

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
October 20, 2016

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor or Pass-Through Grantor / Program Title	Pass Thru Number	Federal CFDA Number		Federal Expenditures	Funds Provided to Subrecipient	Noncash Assistance
U.S. Department of Education						
<i>Passed through New Mexico Public Education Department</i>						
Title I - IASA	24101	84.010		\$ 967,596	\$ -	\$ -
Migrant Children Education	24103	84.011		80,953	-	-
IDEA-B Entitlement	* 24106	84.027	(1)	847,913	-	-
IDEA-B Preschool	* 24109	84.173	(1)	33,799	-	-
IDEA-B "Risk Pool"	* 24120	84.027	(1)	560	-	-
English Language Acquisition	24153	84.365A		8,613	-	-
Teacher/ Principal Training /Recruiting	24154	84.367A		162,523	-	-
Rural & Low Income Schools	24160	84.358B		50,917	-	-
<i>Subtotal - Pass through New Mexico Public Education Department</i>				<u>2,152,874</u>	<u>-</u>	<u>-</u>
 Direct U.S. Department of Education						
Impact Aid - General Fund	11000	84.041	(2)	8,959	-	-
Impact Aid Special Education	25145	84.041	(2)	5,663	-	-
<i>Subtotal - Direct U.S. Department of Education</i>				<u>14,622</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Education				<u>2,167,496</u>	<u>-</u>	<u>-</u>
 U.S. Department of Health and Human Services						
<i>Passed through New Mexico Public Education Department</i>						
USHHA/CDC School Health	24186	93.xxx		4,114	-	-
Total U.S. Department of Health and Human Services				<u>4,114</u>	<u>-</u>	<u>-</u>
 U.S. Department of Agriculture						
<i>Passed through State of New Mexico</i>						
School Breakfast Program	* 21000	10.553	(3)	448,611	-	-
USDA Commodities	* 21000	10.555	(3)	84,308	-	84,308
Child Nutrition Cluster	* 21000	10.555	(3)	826,230	-	-
Total U.S. Department of Agriculture				<u>1,359,149</u>	<u>-</u>	<u>84,308</u>
Total Federal Financial Assistance				<u>\$ 3,530,759</u>	<u>\$ -</u>	<u>\$ 84,308</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 Portales Municipal School District No.1 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	\$ 3,530,759
Total expenditures funded by other sources	<u>27,375,449</u>
<i>Total expenditures</i>	<u><u>\$ 30,906,208</u></u>

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements? | None noted |

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: | |

CFDA Number	Federal Program
10.553 & 10.555 84.027 & 84.173	Child Nutrition Cluster IDEA-B Entitlement, IDEA-B Preschool, IDEA-B “Risk Pool”

- | | |
|---|-----------|
| 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

NONE NOTED

SECTION III – FEDERAL AWARD FINDINGS

NONE NOTED

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

NM 2016-001 School Nutrition Status Change (Other Noncompliance)

Condition: It was noted, during the testwork over the District's verification process, that the District did not change a student's pay status in the District's nutrition program. After the District performed the verification process over this student's pay status, it was indicated that the student's pay status should be changed from reduced to paid.

Criteria: Uniform Guidance 7 CRF section 245.6(f)(7) requires that based on the verification activities, the local educational agency shall make appropriate modifications to the eligibility determinations made initially.

Effect: Portales Municipal School District may fail to be in compliance with verification requirements.

Cause: Due to turnover in the Food Service Director position, the District was unable to identify documented review controls in place with regards to change in status of students verified and the specifications of why this application was not corrected.

Auditors' Recommendation: We recommend that the District ensure that once each student's status changes that it is also updated in the Power School System and files are maintained to support such changes.

View of Responsible Officials and Planned Corrective Actions: The past Food Service Director (FSD), who completed this verification process, did fail to change the eligibility status from reduced to paid on one student. This was an oversight. When this error was found by audit staff, the entire list of verification was reviewed and there were no other errors. The FSD did create a spreadsheet that will be used as a checklist of the process. The FSD will date and initial as each step is completed. This report will be on file along with other documents dealing with free/reduced lunch status and verification.

**SECTION IV – NEW MEXICO STATE AUDIT RULE SECTION 12-6-5 NMSA 1978 FINDINGS
(continued)**

NM 2016-002 Paid Lunch Equity (Other Noncompliance)

Condition: It was noted during testwork of the paid lunch equity requirement that the District did not increase the price of paid lunch as required by the 7 CFR 210.14(e).

Criteria: Uniform Guidance 7 CFR section 210.14(e) Pricing Paid Lunches, if the average price of paid lunches is not equal to or greater than the per meal federal reimbursement for paid lunches versus free lunches, then the District must increase the price of paid lunch by no more than ten cents per year.

Effect: The District is under charging paid lunches.

Cause: The District failed to fill in the Public Education Department's (PED) School Year 2015-16 Paid Lunch Equity (PLE) Tool.

Auditors' Recommendation: We recommend that the District review the PED's School Year Paid Lunch Equity Tool to verify that the District is filling in the correct areas of the tool.

View of Responsible Officials and Planned Corrective Actions: It was the understanding of the FSD that the application was completed correctly when it was approved by PED. We were not aware that the PLE calculator was incomplete because there was not an error generated when the application was filled in. The price of a paid lunch has remained the same for many years and the application has been approved every year with the information provided. The current FSD has contacted PED and the USDA to create a plan to gradually increase the price of the paid lunch. We will apply for a waiver for the 2017 year and will begin the increase 2018. In the future, the application will be reviewed by the Finance Director or Superintendent prior to submission to PED.

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

SECTION V – PRIOR YEAR AUDIT FINDINGS

FS 2014-005 – Meal Charge Policy – Finding that does not rise to the level of significant deficiency – Resolved

STATE OF NEW MEXICO
Portales Municipal School District No. 1
Other Disclosures
June 30, 2016

OTHER DISCLOSURES

Exit Conference

An exit conference was held on November 7, 2016. In attendance were the following:

Representing Portales Municipal School District No. 1:

Johnnie S. Cain – Superintendent
Sarah Marquez – Director of Finance
Dr. Alan Garrett – Board Member
Mary Lou Rowley – Board Member
Trish Maguire – Community Member / Parent

Representing RPC CPAs + Consultants, LLP:

Robert Cordova, CPA – Partner
Susan Bolduc, CPA – Supervisor

Auditor Prepared Financial Statements

RPC CPAs + Consultants, LLP prepared the GAAP-basis financial statements and footnotes of Portales Municipal School District No. 1 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.