

**STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS**

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
JUNE 30, 2017**

Woodard, Cowen & Co.

Certified Public Accountants

STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
JUNE 30, 2017

TABLE OF CONTENTS

Table of Contents	i – iii
Official Roster	iv
Independent Auditor’s Report	v – vii
Management Discussion and Analysis	viii - xxvii

FINANCIAL SECTION

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position	1
Statement of Activities	2

Fund Financial Statements:

Balance Sheet – Governmental Funds	3 – 4
Reconciliation of the Balance Sheet – All Governmental Funds to the Statement of Net Position	5
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	6 – 7
Reconciliation of the Statements of Revenue, Expenditures, and Changes In Fund Balance of Governmental Funds to the Statement of Activities	8

Major Funds:

Combined Statement of Revenue and Expenditures – Budget (Non-GAAP) and Actual – General Fund	9
Statement of Revenue & Expenditures – Budget (Non-GAAP) and Actual – Special Revenue Fund – Food Service	10
Statement of Revenue & Expenditures Budget (Non-GAAP) and Actual – Special Revenue Fund – Entitlement	11
Schedule of Fiduciary Assets & Liabilities – Agency Fund	12

NOTES TO FINANCIAL STATEMENTS	13– 36
-------------------------------	--------

STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
JUNE 30, 2017

TABLE OF CONTENTS (continued)

NON-MAJOR FUNDS

Non – Major Fund Descriptions	37 – 39
Combining Balance Sheet – Non-Major Governmental	40 – 45
Combining Statements of Revenues, Expenditures, and Changes In Fund Balance – Non-Major Governmental Funds	46 – 51

MAJOR FUNDS

Combining Balance Sheet – General Fund	52
Statement of Revenue, Expenditures and Changes in Fund Balance – General Fund	53
Statement of Revenue & Expenditure – Budget (Non-GAAP) and Actual – General Fund – Operational	54
Statement of Revenue & Expenditures – Budget (Non GAAP) and Actual – General Fund – Transportation Fund	55
Statement of Revenue & Expenditures – Budget (Non-GAAP) and Actual – General Fund – Instructional Materials Fund	56
Statement of Revenue & Expenditures – Budget (Non-GAAP) and Actual – Capital Projects Fund – Bond Building	57
Statement of Revenue & Expenditures – Budget (Non-GAAP) and Actual – Special Revenue Fund – SB 9 - Local	58

SUPPLEMENTAL INFORMATION

Schedule of Expenditures of Federal Awards	59
Schedule of Pledged Collateral	60
Bank Summary	61
Bank Reconciliation	62 – 63
Schedule of Changes in Assets and Liabilities – Agency Fund	64
Schedule of the Proportionate Share of Net Pension Liability	65
Schedule of Contributions Educational Retirement Board (ERB) Pension Plan	66
Notes to Required Supplementary Information	67

STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
JUNE 30, 2017

TABLE OF CONTENTS (continued)

SINGLE AUDIT 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>	68 – 69
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	70 – 71
Summary Schedule of Prior Year Audit Findings	72
Schedule of Findings and Questioned Costs	73
Other Disclosures	74

STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS

OFFICIAL ROSTER

June 30, 2017

BOARD OF EDUCATION

Antonio R. Sanchez, Jr.	President
Inez Rodriguez	Vice President
Dr. Alan W. Garrett	Secretary
Rod Savage	Member
Randy Rankin	Member

SCHOOL OFFICIALS

Johnnie S. Cain	Superintendent
Sarah Stubbs	Fiscal Officer

Woodard, Cowen & Co.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Mr. Timothy Keller
New Mexico State Auditor
Board of Education
Portales Municipal Schools
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 Schools (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the District's non-major governmental funds, the combining financial statements for the General Fund, and the budgetary comparisons for the major capital project funds, 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, 2017.

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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of

the District, as of June 30, 2017, and the respective changes in financial position 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 non-major governmental fund, and the combining financial statements for the General Fund of the District as of June 30, 2017, and the respective changes in financial position thereof, and the respective budgetary comparisons for the major capital projects fund for the year then ended in accordance with accounting principles generally accepted in 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 and budgetary comparison information on pages viii - xxvii and 9 - 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Accounting principles generally accepted in the United States of America require that the Schedule of Proportionate Share of the Net Pension Liability on page 64, the Schedule of Contributions on page 65, with the notes to the required supplementary information of page 66 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 this required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the District's financial statements, the combining and individual fund financial statements and budgetary comparisons. The Schedule of Expenditures of Federal Awards required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Uniform Guidance* and the schedules 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 changes in assets and liabilities – agency funds, the Schedule of Expenditures of Federal Awards, and the additional schedules listed as “required supplemental information” in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, the schedule of changes in assets and liabilities – agency funds and the additional schedules listed as “required supplemental information” in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2017 on our consideration of the District's internal control over financial reporting and 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.

A handwritten signature in cursive script that reads "Woodard, Cowen & Co.".

Woodard, Cowen & Company

Portales, New Mexico

November 8, 2017



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2017



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, 2017. 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 2017 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 two findings 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. The is updated, shared, and sent to all staff in August. 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. The 24-hour rule is very important to the District. Professional development training is held with all coaches, sponsors, and administrators each year at the beginning of the school year.
- ❖ The District's net position decreased by \$807,765 or 19.26% partially 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 \$285,357 or 0.96%. This is mostly attributed to decreases the legislature did to the District operational revenues due to two special sessions held that reduced the SEG \$315,680.45 and CS/SB 114 (being Laws 2017 Chapter 3) reducing SEG again of \$39,305.17 (despite the actual ending cash balance in the operational fund of \$299,232.71 as of June 30, 2016). There was an oversite in the law that was written that took into account accrued payroll of \$684,043. These are held checks at the end of June that are paid in July. It included



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2017



items such as the NMPSIA (New Mexico Public Schools Insurance Authority) payments that were due July 1 for medical, dental, and vision payments taken out of employee checks that were clearly not cash that the District had available. These payments had the effect of essentially creating a negative cash balance at the beginning of the 2017 fiscal year of \$55,752.91 that the District had to recover from in the middle of the fiscal year. In addition to the cuts from the operational fund, student transportation and instructional materials were also cut from the Laws 2016, Second Special Sessions, Chapter 6 Reductions (SB-9). Student transportation was cut \$112,219 and instructional materials were cut \$25,897.45. This cut took place in December, once again in the middle of the fiscal year. These policies are very concerning to the District and could have caused a major problem.

- ❖ Expenditures decreased by \$69,018 or 0.23%. This is not nearly enough to make up for the decrease in SEG for 2016, but we have made greater adjustments in 2018 which will show on next year's audit.

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 6,027 students in the fall of 2017 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 6.0%, higher than the national average of 4.4% 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 2016-17 from preschool to 12th grade was 2,746. 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



PORTALES MUNICIPAL SCHOOLS
 MANAGEMENT DISCUSSION AND ANALYSIS
 For the Fiscal Year Ending June 30, 2017



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 regular route buses through Dickie Shearer School Buses.

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. Portales School District was accredited as a District nationally and internationally. In 2016, the District went through the re-accreditation process. The District was renewed as accredited nationally and internationally until June of 2022.

Roosevelt County’s most recent assessed valuation for the 2016 tax year was \$280,876,526. This is an increase of \$14,493,023 from the 2015 value of \$265,983,503 which is a 5.6% 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
2016	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 2016, the District passed GO Bonds for \$2,750,000. The proceeds are used for remodel of the Family & Consumer Sciences Classroom at Portales High School, infrastructure for PARCC testing, a complete HVAC replacement at Valencia Elementary School, and many repairs in the District.



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2017



In 2016, 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. The District was able to use SB9 funding for parking lot improvements at several campuses. SB9 funds were also used to repair 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.

Student Nutrition continues to serve quality meals meeting state guidelines for improved nutrition, and maintains a financially stable budget. In the 2016-17 school year, there were 309,178 breakfasts served and 301,189 lunches. That is a total of 610,367 meals served in the District.

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. Monthly expenditures, revenue, and accounts payable reports are posted to the Portales Municipal Schools website monthly. Cash reports are posted to the Portales Municipal Schools website quarterly.

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



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2017



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. February 2017, the Director of Finance recertified and passed the CPO test.

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 2017?" 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.



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2017



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.

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 2017 and 2016.

The Statement of Net Position has changed from last year. From this report, you can see that the net position from 2016 has decreased \$807,890 from the prior year. Cash and cash equivalents have increased \$341,901 even though we have seen a decrease in revenues (this will be explained a little more later in the Statement of Activities). Property taxes also increased \$74,293 due to the increase in property values already discussed. Noncurrent investments have increased \$1,502,934 due to the new structure of receiving bond proceeds from the New Mexico Finance Authority. The District has also increased the investment in capital assets by \$1,625,993 thanks to tax payers approving bond and educational technology bonds allowing the purchase of activity buses, computers, servers, and replacements of HVAC systems in the District. Because of this approval, the debt listed in non-current liabilities has increased \$1,660,000 for the principal due on those approved bonds. The largest increase was for the net pension liability of \$3,046,810 which we expect to continue to increase that was based off the GASB 67 requirements.

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.



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2017



Table 1-Statement of Net Position Comparison 2017 to 2016

Portales Municipal Schools			
Statement of Net Position Comparison			
2017 to 2016			
	June 30, 2017	June 30, 2016	Variance
Assets:			
Current Assets			
Cash & cash equivalents	\$ 4,451,723	\$ 4,109,822	\$ 341,901
Investments	-	2,097	(2,097)
Receivables:			
Property Taxes	317,686	243,393	74,293
Due from other governments	505,024	504,431	593
Other	-	795	(795)
Inventory	12,956	15,236	(2,280)
Total current assets	5,287,389	4,875,774	411,615
Noncurrent Assets			
Restricted Assets:			
Cash and cash equivalents	-	30,693	(30,693)
Investments	1,672,355	169,421	1,502,934
Capital Assets, Net	41,984,722	41,830,970	153,752
Total noncurrent assets	43,657,077	42,031,084	1,625,993
Deferred outflows of resources			
Deferred outflows from pensions	5,571,384	3,607,312	1,964,072
Total deferred outflows of resources	5,571,384	3,607,312	1,964,072
Total Assets and Deferred Outflows of Resources	\$54,515,850	\$ 50,514,170	\$ 4,001,680
Liabilities:			
Current Liabilities			
Accounts Payables	\$ 462,278	\$ 379,309	\$ 82,969
Accrued payroll	1,366,376	764,403	601,973
Accrued interest payable	79,923	76,705	3,218
Compensated absences	80,998	87,195	(6,197)
Debt due within one year	1,690,000	1,865,000	(175,000)
Non-current Liabilities			
Debt due in more than one year	7,015,000	5,355,000	1,660,000
Net pension liability	39,497,626	36,450,816	3,046,810
Total Liabilities	\$50,192,201	\$ 44,978,428	\$ 5,213,773
Deferred Inflows of Resources:			
Deferred inflows from pensions	938,310	1,342,638	(404,328)
Total Deferred Outflows	\$ 938,310	\$ 1,342,638	\$ (404,328)
Net Position:			
Net investment in capital assets	\$33,279,722	\$ 35,105,414	\$ (1,825,692)
Restricted for:			
Debt Service	587,534	620,817	(33,283)
Bond Building	1,049,574		
Senate Bill Nine	1,583,244		
Capital projects total	2,632,818	2,093,778	539,040
Special revenue	-	747,721	(747,721)
Athletics	3,709	-	3,709
Cafeteria	799,835	-	799,835
Instructional Materials	59,850	-	59,850
Unrestricted	(33,978,129)	(34,374,626)	396,497
Total Net Position	\$ 3,385,339	\$ 4,193,104	\$ (807,765)
Total liabilities and net position	\$54,515,850	\$ 50,514,170	\$ 4,001,680



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2017



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.

Portales Municipal Schools Statement of Activities Comparison 2017 to 2016				
	June 30, 2017	June 30, 2016	Variance	
Program Revenues:				
Charges for Services	\$ 262,925	\$ 239,654	\$ 23,271	
Operating Grants and Contributions	5,379,246	5,454,699	(75,453)	
Capital Grants and Contributions	159,333	310,869	(151,536)	
General Revenues:				
Property Taxes:				
Levied for general purposes	128,890	124,764	4,126	
Levied for debt services	2,175,735	2,141,521	34,214	
Levied for capital projects	534,263	505,549	28,714	
Total Property Taxes	2,838,888	2,771,834	67,054	
State Equalization Guarantee	20,585,580	20,879,977	(294,397)	
Interest earnings	19,714	12,160	7,554	
Miscellaneous Income	4,758	116,923	(112,165)	
Federal sources	246,490	-	246,490	
Gain (Loss) on disposition of assets	4,965	4,180	785	
Refunds	3,040	-	3,040	
Total Revenues	\$ 29,504,939	\$ 29,790,296	\$ (285,357)	
Program Expenses:				
Instruction	\$ 15,545,166	\$ 16,493,682	\$ (948,516)	
Support Services-Students	2,926,544	3,170,244	(243,700)	
Support Services-Instruction	269,696	334,700	(65,004)	
Support Services-General Administration	724,480	745,139	(20,659)	
Support Services-School Administration	1,831,230	1,919,304	(88,074)	
Total Support Services	5,751,950	6,169,387	(417,437)	
Central Services	807,311	803,270	4,041	
Operation and Maintenance of Plant	3,709,315	3,865,272	(155,957)	
Student Transportation	976,558	1,136,804	(160,246)	
Other support services	-	1,293	(1,293)	
Food Services	1,365,826	1,547,546	(181,720)	
Interest and other charges	221,815	226,557	(4,742)	
Depreciation-Unallocated	1,934,888	-	1,934,888	
Total Expenses	\$ 30,312,829	\$ 30,243,811	\$ (348,419)	
Changes in Net Position	\$ (807,890)	\$ (453,515)	\$ (354,375)	
Restatement for Beginning Balance	\$ 125	\$ -	\$ 125	
Net Position - Beginning	4,193,104	4,646,619	\$ (453,515)	
Net Position - Ending	\$ 3,385,339	\$ 4,193,104	\$ (807,765)	

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, 2017. Notice there has been a decrease of



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2017



\$294,397 or 1.41% 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.

As you can see from Table 2, some revenues did increase minimally, but the overall decrease in revenues was \$285,357 or .96%. In the last MD&A for FY2016, I discussed the concern the District had due to decreased enrollment, the increase in fixed costs, and the decreasing economy. The District evaluated our spending practices which can be seen in the program expenses section of the statement of activities. The only expense that saw an increase was in central services, but that increase was due to an increase in medical premiums (which was unavoidable). All other expenses were decreased to help offset the trends the District has identified of .23%.

The Net Change in Net position is a decrease of \$807,765 or 19.26% due to the decrease in student count and the decrease in revenues. We again are re-evaluating this trend. Due to the continuation of student count declines and decrease in SEG (and with the alarming legislation in the State), the only thing in the Districts control are expenditures. We will continue decrease those expenses without sacrificing the students' availability to programs.

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



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2017



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, 2017, the spendable fund balance of the general fund was \$421,088 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 \$744,502 or 63.87% due to the decrease in funding based on student count and the two legislative decreases to these three funds.

Page 48 shows where the General Fund began the year with an initial budget of \$22,747,520 and ended with a final budget of \$22,500,634. This was an overall decrease of \$246,886 or 1.09% for the budget. 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. \$21,973,796 was expended in the year ending June 30, 2017. This resulted in \$526,838 unused in fund balance.

General Fund Breakdown

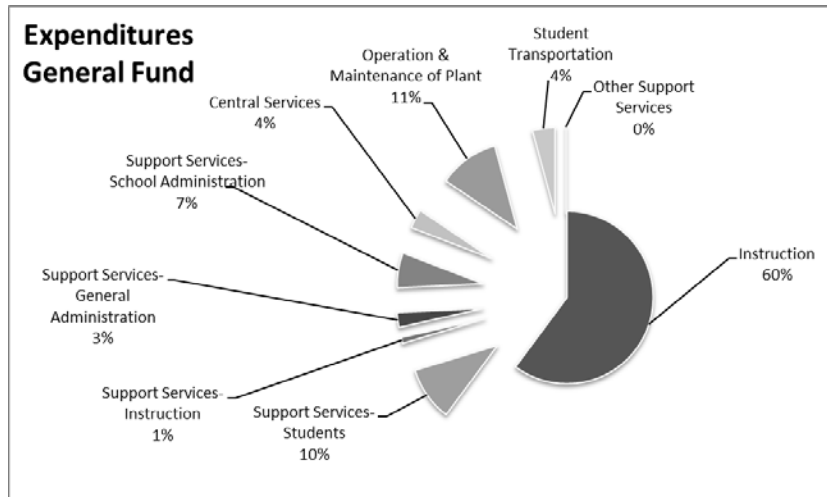
The most significant inter-fund (function) expense in the General Fund was for the function noted as "Instruction" under current expenditures on page 6 of the financial statements (see Figure 1). This expenditure totaled \$13,223,092 and represented 60% of all General Fund expenditures. Expenditures 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.



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2017



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 4% 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 11% 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.

2016-17 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, 2017: General Fund, Food Services, Entitlement IDEA-B, Bond Building, and Senate Bill Nine Fund. 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.



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2017



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

Major and Non-Major Funds Expenditure Budget Performance			
June 30 2017			
Fund Type	Final Budget	Actual Expenditures	Variance
General Fund (11000, 13000, 14000)	\$ 22,500,634	\$ 21,973,796	\$ 526,838
Food Services (21000)	\$ 2,043,877	\$ 1,339,986	\$ 703,891
Entitlement IDEA-B (24106)	\$ 1,025,418	\$ 613,440	\$ 411,978
Bond Building (31100)	\$ 3,070,834	\$ 1,967,505	\$ 1,103,329
Senate Bill Nine Fund (31701)	\$ 2,193,814	\$ 682,323	\$ 1,511,491

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 of public funds, 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, 2017, 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:



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2017



Table 4-Capital Asset Comparison June 30, 2017 to June 30, 2016

Fixed Asset Comparison		
Asset Type	Balance June 30, 2017	Balance June 30, 2016
Land	\$ 787,173	\$ 787,173
Building and Improvements	59,715,645	57,529,998
Equipment and Vehicles	6,774,552	6,722,576
Construction in Progress	-	500,000
Total Capital Assets	\$ 67,277,370	\$ 65,539,747
Less: Accumulated Depreciation	(25,292,648)	(23,708,777)
Capital Assets, net	\$ 41,984,722	\$ 41,830,970
Net Change in Capital Assets	\$ 153,752	

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, 2016 Bond was issued for the purpose of HVAC replacement at Valencia Elementary, among other repairs. 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, 2017 (see Table 5).

Table 5-Long-term Debt as of June 30, 2017

Long-term Debt			
Date of Issue	Amount of Issue	Balance as of June 30, 2017	Due Within One Year
2010	1,900,000	900,000	900,000
2011	1,400,000	1,200,000	500,000
2013 - Ed Tech	450,000	180,000	90,000
2014	2,750,000	2,750,000	-
2014 - Ed Tech (Taxable)	325,000	175,950	54,000
2014 - Ed Tech (Tax Exempt)	275,000	149,050	46,000
2016	2,750,000	2,750,000	-
2016 - Ed Tech	600,000	600,000	100,000
Total Long-term Debt	\$ 10,450,000	\$ 8,705,000	\$ 1,690,000



2016-2017 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 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



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2017



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 1,968,704 to provide students lunch and breakfast. As of October 2016, 70% 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 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



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2017



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 assets 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.

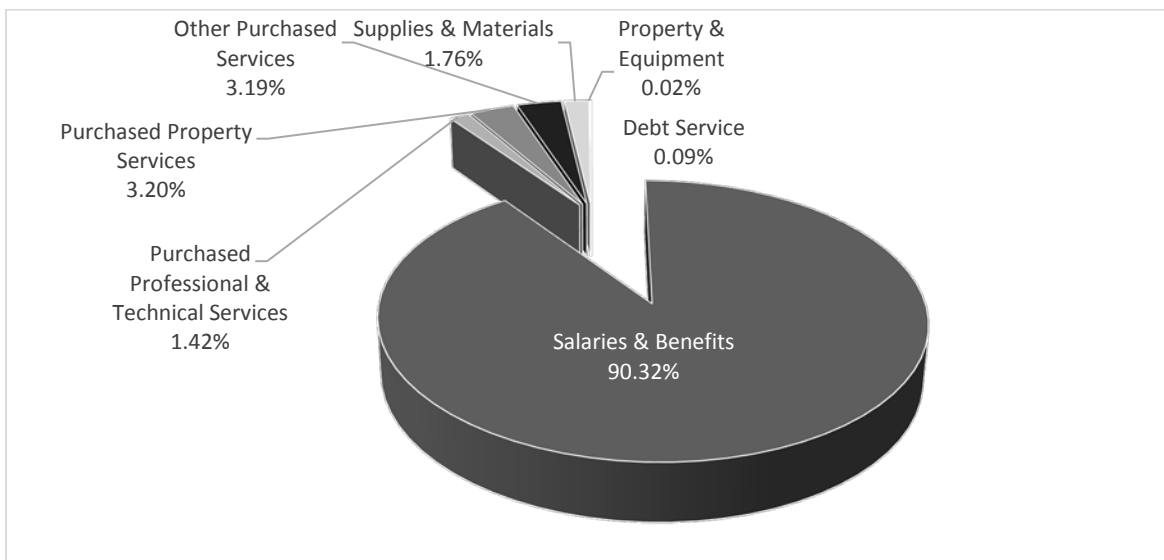
Debt Service Fund – The District operates one debt service fund that is used to account for the accumulation of resources for, and payment of, general long-term debt principal and interest payments.

Information about the 2016-17 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.

Here is a breakdown of the percentages of the budget for 2016-17 by object (see Figure 3).

Figure 3-PMSD Operational Budget by Object





PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2017



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 2016-17 budget was built on the \$4,040.24 initial unit value which had increased from the prior year. However, due to State budgetary concerns, after 40 day reporting, the unit value was decreased to \$3,979.63. This resulted in a decrease of SEG to the District of \$315,680.45.

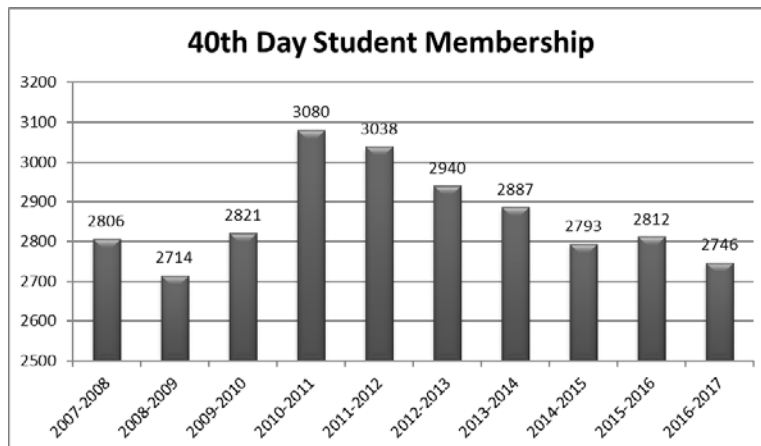
Table 6-History of the Unit Value in New Mexico

History of the Unit Value in New Mexico			
School Year	Initial Unit Value	Final Unit Value	
2007-2008	\$3,645.77	\$3,674.26	
2008-2009	\$3,892.47	\$3,871.79	
2009-2010	\$3,862.79 ^{1,2}	\$3,792.65	
2010-2011	\$3,814.04 ^{3,4}	\$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	
2016-2017	\$4,040.24	\$3,979.63	

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.

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 2016-17. Since 2010-2011, we have had decreases in student enrollment numbers (see Figure 2).

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





PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2017



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 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 had been approved and implemented. The 2016 findings required a change in policy and an increase in cafeteria lunch prices. Both were completed and implemented in the 2016-17 school year.

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
2016	Unqualified	2	11/15/2016	11/14/2016	-1



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2017



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

Conclusion

The challenge for the District finance team goes beyond meeting the professional standards for fiscal operations represented in this annual audit for 2016-17. 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 2016-17 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



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2017



the PMSD administration and Board found a way to sustain our commitment to the classroom in the 2016-17 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:

Johnnie S. Cain
Superintendent
Portales Municipal School District
501 South Abilene Avenue
Portales, NM 88130
jcain@portaleschools.com
(575) 356-7000

Sarah M. Stubbs
Director of Finance
Portales Municipal School District
501 South Abilene Avenue
Portales, NM 88130
sstubbs@portaleschools.com
(575) 356-7000

**STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
STATEMENT OF NET POSITION
June 30, 2017**

	<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVIES</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 4,451,723
Due from other governments	505,024
Property Taxes Receivable	317,686
Inventory	12,956
Total Current Assets	<u>5,287,389</u>
Non-current Assets:	
Restricted Investments	1,672,355
Capital assets, Net	41,984,722
Total Non-current Assets	<u>43,657,077</u>
TOTAL ASSETS	<u>48,944,466</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from pensions	<u>5,571,384</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 54,515,850</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 462,278
Accrued Payroll	1,366,376
Accrued Interest Payable	79,923
Compensated Absences	80,998
Debt due within one year	1,690,000
Total Current Liabilities	<u>3,679,575</u>
Non-current Liabilities:	
Net Pension Liability	39,497,626
Debt due in more than one year	7,015,000
Total Non-current Liabilities	<u>46,512,626</u>
TOTAL LIABILITIES	<u>50,192,201</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pensions	<u>1,313,982</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	51,506,183
<u>NET POSITION</u>	
Net Investment in Capital Assets	33,279,722
Restricted for:	
Debt Service	587,534
Bond Building	1,049,574
Senate Bill Nine	1,583,244
Athletics	3,709
Cafeteria	799,835
Instructional Materials	59,850
Unrestricted	(34,353,801)
TOTAL NET POSITION	<u>3,009,667</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 54,515,850</u>

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

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue & Changes in Net Position
Primary government:					
Governmental Activities:					
Instruction	\$ 16,844,273	\$ 149,079	\$ 2,229,038	\$ -	\$ (14,466,156)
Support Services					
Support Services-Students	3,165,347	-	340,912	-	(2,824,435)
Support Services-Instruction	308,157	-	12,178	-	(295,979)
Support Services-General Administration	777,912	-	67,938	-	(709,974)
Support Services-School Administration	1,982,630	-	332,057	-	(1,650,573)
Central Services	868,245	-	-	-	(868,245)
Operation & Maintenance of Plant	3,967,149	-	-	159,333	(3,807,816)
Student Transportation	1,044,756	-	976,558	-	(68,198)
Food Services-Operations	1,507,136	113,846	1,420,565	-	27,275
Community Services-Operations	-	-	-	-	-
Other Support Services	1,081	-	-	-	(1,081)
Bond Interest Paid	221,815	-	-	-	(221,815)
Bond Issuance Cost	-	-	-	-	-
Depreciation-Unallocated	-	-	-	-	-
Amortization-Unallocated	-	-	-	-	-
Total governmental activities	\$ 30,688,501	\$ 262,925	\$ 5,379,246	\$ 159,333	\$ (24,886,997)
General Revenues:					
Property Taxes:					
Levied for General Purposes					128,890
Levied for Debt Service					2,175,735
Levied for Capital Projects					534,263
State Equalization Guarantee					20,585,580
Federal Sources					246,490
Interest Earnings					19,714
Refunds					3,040
Gain/Loss on Sale of PP&E					4,965
Miscellaneous					4,758
			Total general revenues		23,703,435
			Change in net position		(1,183,562)
			Net position - beginning		4,193,104
			Restatement		125
			Restated Balance		4,193,229
			Net position - ending		\$ 3,009,667

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

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

BALANCE SHEET-- GOVERNMENTAL FUNDS

June 30, 2017

	<u>GENERAL</u>	<u>FOOD SERVICE</u>	<u>IDEA B ENTITLEMENT</u>
ASSETS			
Cash on Deposit	\$ 1,353,448	\$ 825,816	\$ -
Investments	-	-	-
Due from Other Funds	413,948	-	-
Due from Other Agencies	-	-	394,986
Property Tax Receivable	11,904	-	-
Inventory	-	12,956	-
TOTAL ASSETS	<u>\$ 1,779,300</u>	<u>\$ 838,772</u>	<u>\$ 394,986</u>
LIABILITIES AND FUND BALANCE			
Accounts Payable	\$ 130,088	\$ 6,540	\$ 17,068
Accrued Payroll	1,217,159	32,397	24,198
Inter Agency Payable	-	-	-
Due to Other Funds	-	-	353,720
TOTAL LIABILITIES	<u>1,347,247</u>	<u>38,937</u>	<u>394,986</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	10,965	-	-
Unearned Revenue	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>10,965</u>	<u>-</u>	<u>-</u>
FUND BALANCE			
Nonspendable	-	12,956	-
Restricted:			
Transportation	-	-	-
Instructional Materials	59,850	-	-
Capital projects Funds	-	-	-
Debt Service	-	-	-
Cafeteria	-	786,879	-
Athletics	-	-	-
Special Revenue Funds	-	-	-
Committed for			
Subsequent year's expenditures	361,238	-	-
Unassigned	-	-	-
TOTAL FUND BALANCE	<u>421,088</u>	<u>799,835</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 1,779,300</u>	<u>\$ 838,772</u>	<u>\$ 394,986</u>

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

BOND BUILDING	SENATE BILL NINE - LOCAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ 1,667,761	\$ 604,698	\$ 4,451,723
1,215,146	-	457,209	1,672,355
-	-	-	413,948
-	-	110,038	505,024
-	60,109	245,672	317,685
-	-	-	12,956
<u>\$ 1,215,146</u>	<u>\$ 1,727,870</u>	<u>\$ 1,417,617</u>	<u>\$ 7,373,691</u>
\$ 165,572	\$ 89,073	\$ 53,936	\$ 462,277
-	-	92,622	1,366,376
-	-	60,228	413,948
<u>165,572</u>	<u>89,073</u>	<u>206,786</u>	<u>2,242,601</u>
-	44,320	180,960	236,245
-	-	-	-
-	44,320	180,960	236,245
-	-	-	12,956
-	-	-	-
-	-	-	59,850
1,049,574	1,594,477	422,440	3,066,491
-	-	587,534	587,534
-	-	-	786,879
-	-	3,709	3,709
-	-	16,188	16,188
-	-	-	361,238
-	-	-	-
<u>1,049,574</u>	<u>1,594,477</u>	<u>1,029,871</u>	<u>4,894,845</u>
<u>\$ 1,215,146</u>	<u>\$ 1,727,870</u>	<u>\$ 1,417,617</u>	<u>\$ 7,373,691</u>

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

STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS

RECONCILIATION OF THE BALANCE SHEET
ALL GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION

June 30, 2017

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

Fund balances - total governmental funds	\$ 4,894,845
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	41,984,722
Compensated absences	(80,998)
Property taxes receivable not available for current year expenditures and therefore are deferred in the funds	236,245
Net Pension Liability not reported in the funds	(39,497,626)
Deferred outflows of resources related to pensions not reported in the funds	5,571,384
Deferred inflows of resources related to pension not reported in the funds	(1,313,982)
Accrued Interest Payable not reported in funds	(79,923)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(8,705,000)
Net position of governmental activities	<u>\$ 3,009,667</u>

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

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCE-- GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	General	FOOD SERVICE	IDEA B ENTITLEMENT
REVENUE			
Federal Programs	\$ 195,422	\$ 1,300,468	\$ 630,508
State Programs	1,053,527	-	-
State Equalization	20,585,581	-	-
Interest Earnings	3,975	1,653	-
Private/Direct Grants	-	-	-
Fees	-	113,846	-
Refunds of Prior Year's Expenditures	3,040	-	-
Sale of Bond Proceeds	-	-	-
Local Property Taxes	125,352	-	-
TOTAL REVENUES	22,009,156	1,415,967	630,508
EXPENDITURES			
Current			
Instruction	13,223,092	-	149,283
Support Services			
Support Services-Students	2,234,135	-	307,521
Support Services-Instruction	247,958	-	-
Support Services-General Administration	610,808	-	24,232
Support Services-School Administration	1,444,569	-	135,122
Central Services	788,064	-	-
Operation & Maintenance of Plant	2,496,562	-	-
Student Transportation	928,608	-	14,350
Food Services-Operations	-	1,339,986	-
Acquisition & Construction	-	-	-
Debt Service			
Other Bond Services	-	-	-
Principal	-	-	-
Interest	-	-	-
TOTAL EXPENDITURES	21,973,796	1,339,986	630,508
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	35,360	75,981	-
Other Financing Sources (uses)			
Refunds to PED	-	-	-
Transfers In/Out	-	-	-
Total Other Financial Sources	-	-	-
Net Change In Fund Balance	35,360	75,981	-
FUND BALANCE			
as of June 30, 2016	385,728	723,854	-
Restatement	-	-	-
Restated Balance	385,728	723,854	-
FUND BALANCE as of June 30, 2017	\$ 421,088	\$ 799,835	\$ -

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

<u>BOND BUILDING</u>	<u>SENATE BILL NINE - LOCAL</u>	<u>Other Governmental Funds</u>	<u>Total Governmental</u>
\$ -	\$ -	\$ 1,572,469	\$ 3,698,867
-	-	1,212,813	2,266,340
-	-	-	20,585,581
8,182	3,645	3,108	20,563
-	-	20,000	20,000
-	-	116,543	230,389
-	-	-	3,040
2,750,000	-	600,000	3,350,000
-	519,887	2,119,416	2,764,655
<u>2,758,182</u>	<u>523,532</u>	<u>5,644,349</u>	<u>32,981,694</u>
-	-	2,085,214	15,457,589
-	-	112,785	2,654,441
-	-	15,777	263,735
-	5,189	68,245	708,474
-	-	196,988	1,776,679
-	-	-	788,064
-	-	-	2,496,562
-	-	33,600	976,558
-	-	112,202	1,452,188
1,967,505	677,134	477,327	3,121,966
-	-	-	-
-	-	1,865,000	1,865,000
-	-	218,596	218,596
<u>1,967,505</u>	<u>682,323</u>	<u>5,185,734</u>	<u>31,779,852</u>
790,677	(158,791)	458,615	1,201,842
-	-	-	-
-	1,760,370	(1,760,370)	-
-	1,760,370	(1,760,370)	-
<u>790,677</u>	<u>1,601,579</u>	<u>(1,301,755)</u>	<u>1,201,842</u>
258,897	(7,102)	2,331,501	3,692,878
-	-	125	125
<u>258,897</u>	<u>(7,102)</u>	<u>2,331,626</u>	<u>3,693,003</u>
<u>\$ 1,049,574</u>	<u>\$ 1,594,477</u>	<u>\$ 1,029,871</u>	<u>\$ 4,894,845</u>

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

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCE OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

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

Net change in fund balance - total governmental funds	\$ 1,201,842
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. This is the amount by which depreciation exceeded capital outlay in the current year.	153,752
Bond Proceeds	(3,350,000)
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead reported as deferred revenues. They are however, recorded as revenues in the Statement of Activities.	73,384
Change in unavailable grant revenue	(76,437)
(Increase)/Decrease in pension expense from the difference in allocated pension expense less the District's actual pension contributions.	(1,054,082)
Expenses in the statement of activities which do not require use of current financial resources	
Decrease in interest Payable	(3,218)
Increase in compensated absences	6,197
Bond Principal	1,865,000
	<hr/>
Change in Net Position	<u><u>\$ (1,183,562)</u></u>

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

PORTALES MUNICIPAL SCHOOLS
 COMBINED STATEMENT OF REVENUE AND EXPENDITURES--BUDGET
 (NON-GAAP) AND ACTUAL-GENERAL FUND
 Year Ended June 30, 2017

	General Fund			VARIANCE
	ORIGINAL BUDGET	BUDGET	ACTUAL	Favorable (Unfavorable)
REVENUE				
Residential/Non-Residential Taxes	\$ 125,083	\$ 125,083	\$ 128,049	\$ 2,966
Fees-Users	25,000	25,000	32,556	7,556
Donations/Gifts	100	100	400	300
Interest Income	3,600	3,600	3,975	375
State Equalization	20,942,614	20,587,627	20,585,581	(2,046)
State Flow Through Grants	1,150,318	1,053,528	1,053,527	(1)
Impact Aid	9,000	9,000	7,323	(1,677)
Rent	800	800	-	(800)
Sale of Property/Equipment	4,000	4,000	4,965	965
Access Board	80,000	80,000	72,950	(7,050)
Refunds	1,260	1,260	3,040	1,780
Indirect Cost - (Flow Through Grants)	130,172	130,172	115,150	(15,022)
Insurance Recoveries	10,000	10,000	4,358	(5,642)
TOTAL REVENUE	<u>22,481,947</u>	<u>22,030,170</u>	<u>\$ 22,011,874</u>	<u>\$ (18,296)</u>

Cash Balance Budgeted

265,573 470,464

TOTAL REVENUE & CASH

\$ 22,747,520 \$ 22,500,634

EXPENDITURES

Current

Instruction	\$ 13,950,111	\$ 13,586,310	\$ 13,299,062	\$ 287,248
Support Services				
Support Services-Students	2,088,406	2,259,847	2,234,135	25,712
Support Services-Instruction	287,316	252,098	247,958	4,140
Support Services-General Administration	619,273	624,270	604,241	20,029
Support Services-School Administration	1,460,936	1,456,674	1,444,364	12,310
Central Services	714,500	748,101	741,682	6,419
Operation & Maintenance of Plant	2,609,635	2,626,212	2,432,050	194,162
Student Transportation	998,829	928,608	928,608	-
Other Support Services	18,514	18,514	-	18,514
TOTAL EXPENDITURES	<u>\$ 22,747,520</u>	<u>\$ 22,500,634</u>	<u>\$ 21,932,100</u>	<u>\$ 568,534</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 22,011,874
Differences-Budget to GAAP	
Prior Year Taxes Receivable	(11,084)
Current Year Taxes Receivable	11,904
Total Revenues (GAAP Basis)	<u>\$ 22,009,156</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 21,932,100
Differences-budget to GAAP	
Current Year Payable	130,088
Prior Year Payable	(88,392)
Total Expenditures (GAAP Basis)	<u>\$ 21,973,796</u>

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

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--SPECIAL REVENUE FUND--FOOD SERVICES

Year Ended June 30, 2017

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Fees	\$ 136,200	\$ 136,200	\$ 113,846	\$ (22,354)
Interest Income	1,373	1,373	1,653	280
Federal Revenue	1,196,795	1,196,795	1,193,985	(2,810)
TOTAL REVENUE	<u>1,334,368</u>	<u>1,334,368</u>	<u>\$ 1,309,484</u>	<u>\$ (24,884)</u>
Cash Balance Budgeted	<u>634,336</u>	<u>709,509</u>		
TOTAL REVENUE & CASH	<u>\$ 1,968,704</u>	<u>\$ 2,043,877</u>		
EXPENDITURES				
Current				
Food Services-Operations	\$ 1,968,704	\$ 2,043,877	\$ 1,225,574	\$ 818,303
TOTAL EXPENDITURES	<u>\$ 1,968,704</u>	<u>\$ 2,043,877</u>	<u>\$ 1,225,574</u>	<u>\$ 818,303</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 1,309,484
Differences-Budget to GAAP	
Commodities Received	106,483
Total Revenues (GAAP Basis)	<u>\$ 1,415,967</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 1,225,574
Differences-budget to GAAP	
Cost of Commodities Used	106,483
Current Year Payable	6,540
Prior Year Payable	(891)
Inventory Adjustment	2,280
Total Expenditures (GAAP Basis)	<u>\$ 1,339,986</u>

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

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--SPECIAL REVENUE FUND--ENTITLEMENT

Year Ended June 30, 2017

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ 589,109	\$ 1,025,418	\$ 454,499	\$ (570,919)
TOTAL REVENUE	<u>589,109</u>	<u>1,025,418</u>	<u>\$ 454,499</u>	<u>\$ (570,919)</u>
Cash Balance Budgeted	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 589,109</u>	<u>\$ 1,025,418</u>		
EXPENDITURES				
Current				
Instruction	\$ 131,050	\$ 442,793	\$ 196,150	\$ 246,643
Support Services				
Support Services-Students	299,064	370,050	307,521	62,529
Support Services-Instruction	29,660	29,660	24,232	5,428
Support Services-General Administration	118,335	165,165	135,122	30,043
Student Transportation	11,000	17,750	14,350	3,400
TOTAL EXPENDITURES	<u>\$ 589,109</u>	<u>\$ 1,025,418</u>	<u>\$ 677,375</u>	<u>\$ 348,043</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 454,499
Differences-Budget to GAAP	
Current Year Receivable	394,986
Prior Year Receivable	(218,977)
Total Revenues (GAAP Basis)	<u>\$ 630,508</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 677,375
Differences-budget to GAAP	
Current Year Payable	17,068
Prior Year Payable	(63,935)
Total Expenditures (GAAP Basis)	<u>\$ 630,508</u>

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

STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS

SCHEDULE OF FIDUCIARY ASSETS & LIABILITIES--AGENCY FUND

June 30, 2017

ASSETS	
Cash on Deposit	\$ 467,425
Capital assets (net)	<u>97,910</u>
TOTAL ASSETS	<u><u>\$ 565,335</u></u>
LIABILITIES	
Due to Student Groups	\$ 565,335
TOTAL LIABILITIES	<u><u>\$ 565,335</u></u>

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

**STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Portales Municipal School District (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 in 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. Based on the criteria for determining the reporting entity (separate legal entity and fiscal or financial dependency on other governments), the District is considered to be an independent reporting entity and has no component units.

The 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 who is responsible for their integrity and objectivity. The financial statements of the District conform to generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 and other items not properly included among program revenues are reported instead as *general revenues*.

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.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are the timing of related cash flows. Property taxes are recognized as revenues, net of estimated refunds and estimated uncollectible amounts, 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.

STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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

The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The District reports, if any, deferred inflows of resources in the government wide financial statements for inflows received, but not recognized as revenue until future years subject to time restrictions. In the governmental funds, the District recognizes deferred inflows of resources for property taxes and federal and state reimbursements that are not considered available.

The District reports the following major governmental funds:

General Funds – The general fund is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Food Service Special Revenue Fund – 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.

Entitlement IDEA-B Special Revenue Fund – 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.

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

Bond Building Capital Projects – The capital projects fund is used to account for the erecting, remodeling, adding, and furnishing of school buildings.

Capital Improvements SB-9 Local – The revenues are derived from a district tax levy. Expenditures are restricted to capital improvements.

**STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The District also reports the following classifications of funds.

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

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition, maintenance, or construction of major capital facilities.

Debt Service Funds – Debt service funds account for accumulation of resources for general long- term debt repayment.

Fiduciary Funds - The District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

D. Assets, Liabilities, and Net Position or Equity

1. 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 investment of the District's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The District is also allowed to invest in United States Government obligations. All funds for the District must follow the above investment policies.

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 by collateral deposited as security or by bond given by the financial institution.

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 of funds may be temporarily invested in securities which are issued by the State of New Mexico 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.

**STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

1. Deposits and Investments (continued)

Investments for the District are reported at fair value. The State Treasurer's Investment Pool 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.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

The District's property taxes are levied each year on the assessed valuation of property located in the District as of the preceding January 1st. The assessed valuation for the 2017 fiscal year was \$350,277,238. Mill levy rates are set by the State of New Mexico each year for the General Fund, SB-9 Capital Improvements Fund, Debt Service Fund, and the Education Technology Fund. Taxes are payable in two equal installments on November 10th and April 10th following the levy and become delinquent after 30 days.

3. Inventories

The food inventories are valued at cost using the first-in/first-out (FIFO) method. USDA commodities are recorded at estimated costs. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as

part of the governmental capital assets reported in the government wide statements. However, the District does not construct or maintain infrastructure assets, accordingly, the District is not subject to this provision of GASB Statement No. 34. Donated capital assets are recorded at estimated fair market value at the date of donation. Library books are not capitalized but are expensed during the year of purchase.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

4. Capital Assets (continued)

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

Assets	Years
Buildings	50
Building Improvements	20
Vehicles	2-15
Equipment and Software	3-15

5. Deferred Outflows of Resources

The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The District has one item that qualifies for reporting in this category on the government-wide statement of net position. It is the District's contributions subsequent to the measurement date of the collective net pension liability and before the end of the employer's reporting period. This will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

6. Deferred Inflows of Resources

The District's governmental funds report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). The District will not recognize the related revenues until a future event occurs. The District has one type of item which occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, deferred property taxes and other unavailable state and federal revenues are reported in the governmental funds balance sheet. Two other items, net difference between projected and actual investment earnings on pension plan investments and the change of assumptions related to the pension plan are also deferred inflows. These amounts will be amortized and recognized in future years.

7. Unearned Revenue

Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues.

8. Compensated Absences

It is the District's policy to permit employees to accumulated 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

8. Compensated Absences (continued)

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.

9. 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 assets. In the fund financial statements, current portions of debt that will mature early in the following year are reported as current liabilities. In addition, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of 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.

10. Fund Balance and Net Position

Fund Balance: In the fund financial statements, components of fund balance include the following:

1. Nonspendable fund balance is the portion of the gross fund balance that is not expendable or is legally earmarked for a specific use.
2. Restricted fund balances include fund balances that are subject or constrained to a specific purpose by the provider, such as a grantor.
3. Committed fund balances are the portion of the fund balance that is constrained to a specific purpose by the Board.
4. Assigned fund balances are the portion of the fund balances that are spendable or available for appropriation but have been tentatively earmarked for some specific purpose by the Superintendent or designee.
5. Unassigned fund balances include amounts available for any legal purpose. This portion of the net assets in the general fund is available to finance operating expenditures.

Net Position: In the government-wide financial statements components of net position include the following:

1. Net position invested in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balance of debt issued to finance the acquisition, improvement, or construction of those assets.
2. Restricted net position includes balances that are subject to constraints on their use by creditors, grantors, and bond indentures. These are the replacement reserves and the bond escrow accounts.
3. Unrestricted net position is available for general use by the District for any obligation or expense.

**STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

11. 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.

12. Indirect Costs

The District's general fund receives indirect cost reimbursements from the various federal programs it administers. These reimbursements are for expenses incurred in performing administrative functions on behalf of the special revenue funds. They are shown as expenditures in the special revenue funds, and as other special federal revenue in the general fund.

13. Revenues

a. 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 ensure 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 cost."

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-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 \$20,585,580 in state equalization guarantee distributions during the year ended June 30, 2017.

b. Transportation Distribution:

School districts in the State of New Mexico received 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 twelve attending public school within the school district. The District received \$928,608 in transportation distributions during the year ended June 30, 2017.

c. Tax Revenues:

The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District recognized \$2,838,888 in tax revenues during the year ended June 30, 2017. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

**STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

14. 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.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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. The budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent year. Such appropriated balance is legally restricted and is therefore presented as a reserved portion of fund balance.

Actual expenditures may not exceed the budget on a line item basis. (i.e., each budgeted expenditure must be within budgeted amounts.) 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 Superintendent submits to the Board of Education a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Department of Education.
2. In May or June, the budget is approved by the Board of Education.
3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called for.
4. 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 Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

**STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. Budgetary Information (continued)

6. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for budget purposes.

The Board of Education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. The appropriated budget for the year ended June 30, 2017 was properly amended by the Board throughout the year. New Mexico state law prohibits a school district to exceed a function line item.

NOTE 3: DEPOSITS AND INVESTMENTS

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2017.

Deposits of funds may be made in interest or non-interest-bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

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 the deposit. At June 30, 2017, there were no investments in non-demand interest-bearing accounts.

Excess of 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 United States or are backed by the full faith and credit of those governments.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. All time and savings deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. Separately, all interest-bearing and noninterest-bearing demand deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together insured up to \$250,000.

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.

**STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS
 Notes to the Financial Statements
 June 30, 2017**

NOTE 3: DEPOSITS AND INVESTMENTS (continued)

As of June 30, 2017, \$4,994,663 of the District's bank balances were exposed to custodial credit risk as follows:

Insured (FDIC)	<u>\$ 273,370</u>
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the District's name	2,751,279
Uninsured and uncollateralized	1,970,014
Balance exposed to custodial credit risk	<u>\$4,994,663</u>
Total bank balances	<u>\$4,994,663</u>
Carrying Amount	<u>\$4,451,724</u>

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10-1, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in securities that are issued by the United States Government or by its departments or agencies and are either backed by the full faith and credit of the United States Government or are agencies sponsored by the United States Government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares; 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 amounts of the fund were invested. Any unrealized gain or loss on the portfolio is distributed through the investment yield on distribution dates. The State of New Mexico is the regulatory oversight entity and participation in the pool is voluntary. The State Treasurer issues separate financial statements that disclose the collateral pledged to secure these deposits. At June 30, 2017, the New MexiGROW Local Government Investment Pool was rated at AAAM and had a 53-day WAM(R) and 109-day WAM(F). The District had \$1,184 invested in the New MexiGROW Local Government Investment Pool at June 30, 2017.

Collateral Pledged

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution, and one hundred two percent of the amount in overnight repurchase accounts on deposit with the institution. The schedule listed in the table of contents of this report will meet the State of New Mexico Office of the State Auditor's requirements in reporting the insured portion of the deposits.

Reconciliation to the Statements of Net Position

The carrying amount of deposits shown above are included in the District's balance sheet as follows:

	District
Carrying amount - deposits	<u>\$ 4,451,723</u>
Amounts included in agency funds	467,425
Total	<u>\$ 4,919,148</u>
Included in the following balance sheet captions:	
Cash and cash equivalents	<u>\$ 4,919,148</u>

**STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS
 Notes to the Financial Statements
 June 30, 2017**

NOTE 3: DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk – The District does not currently have an investment policy to minimize interest rate risk.

Credit Risk – As previously stated, State statutes allow the District to invest funds in a wide variety of instruments. However, at June 30, 2017 the District had limited the majority of its investments to those backed by the full faith and credit of the United States government. In addition, the investments in agencies of the United States were rated AAAM by Standard & Poor's.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District requires all investment securities to be held in third-party safekeeping by an institution acceptable to the District. The safekeeping institution is required to issue a safekeeping receipt or book entry notice to the District listing the specific instrument, rate, amount, maturity date, instrument number, term and other pertinent information. In addition, any financial institution holding securities for the benefit of the District is required to provide insurance sufficient to cover 100% of the securities.

Concentration of Credit Risk - The District places no limit on the amount the District may invest in any one issuer. However, as previously illustrated, 100% of the District's investments are backed by the full faith and credit of the United States government. These types of investments are considered to have minimal risk associated with them.

NOTE 4: RECEIVABLES

Receivables as of June 30, 2017 for the government's individual major funds and non-major funds in the aggregate, include the following:

	General	IDEA -B Entitlement	SB – 9 Local	Debt Service	Other	Total
Receivables:						
Property taxes	\$11,904	\$ -	\$ 60,109	\$245,672	\$ -	\$317,685
Due from other govts	-	394,986	-	-	110,038	\$505,024
Total	<u>\$18,958</u>	<u>\$394,986</u>	<u>\$170,882</u>	<u>\$286,141</u>	<u>\$110,038</u>	<u>\$822,709</u>

**STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 5: INTERFUND RECEIVABLES AND TRANSFERS

Interfund balances represent advances to funds that receive grants on a reimbursement basis and balances for payment of expenses by the receiving fund. The composition of interfund balances during the year ended June 30, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	IDEA-B Entitlement	\$ 353,720
General Fund	Title I – Migrant	8,749
General Fund	English Language Acquisition	7,206
General Fund	Rural & Low-Income Schools	9,024
General Fund	GO Bonds 2012	5,088
General Fund	New Mexico Reads to Lead	936
General Fund	Pre-K Initiative	17,992
General Fund	Senate Bill Nine – State	11,233
Total		<u>\$ 413,948</u>

NOTE 6: CAPITAL ASSETS

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

Governmental Activities	Balance June 30, 2016	Adjustments	Additions	Retirements	Balance June 30, 2017
Capital assets not being depreciated					
Land	\$ 787,173	\$ -	\$ -	\$ -	\$ 787,173
Construction in progress	500,000	-500,000	-	-	-
Total capital assets not being depreciated	1,287,173	-500,000	-	-	787,173
Capital assets being depreciated					
Buildings and improvements	57,529,998	500,000	16,99,527	13,880	59,715,645
Equipment and vehicles	6,722,576	-	389,113	337,137	6,774,552
Total capital assets being depreciated	64,252,574	500,000	2,088,640	351,017	66,490,197
Less: Accumulated depreciation					
Buildings and improvements	18,925,846	-	1,560,708	13,880	20,472,674
Equipment and vehicles	4,782,931	-	374,180	337,137	4,819,974
Total accumulated depreciation	23,708,777	-	1,934,888	351,017	25,292,648
Total net capital assets	\$ 41,830,970	\$ -	\$ 153,752	\$ -	\$ 41,984,722

**STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 6: CAPITAL ASSETS (continued)

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

<u>Governmental Activities</u>	
Instruction	\$ 1,052,189
Support Services – Students	191,792
Support Services – Instruction	35,160
General Administration	44,568
School Administration	121,193
Central Services	50,276
Operation and Maintenance of Plant	239,770
Transportation	68,198
Other Support Services	1,081
Food Services	<u>130,661</u>
 Total	 <u>\$ 1,934,888</u>

Capital assets, net of accumulated depreciation, at June 30, 2017 appear in the Statement of Fiduciary Assets and Liabilities as follows:

Agency Activities	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2017</u>
Capital assets being depreciated				
Buildings and improvements	\$ 6,982	\$ -	\$ -	\$ 6,982
Equipment and vehicles	<u>222,124</u>	<u>-</u>	<u>-</u>	<u>222,124</u>
Total capital assets being depreciated	229,106	-	-	229,106
Less: Accumulated depreciation				
Buildings and improvements	814	279	-	1,093
Equipment and vehicles	<u>104,987</u>	<u>25,116</u>	<u>-</u>	<u>130,103</u>
Total accumulated depreciation	105,801	25,395	-	131,196
Total net capital assets	<u>\$ 123,305</u>	<u>\$ -25,395</u>	<u>\$ -</u>	<u>\$ 97,910</u>

**STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 7: LONG – TERM DEBT

General Obligation Bonds – the District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Bonds are direct obligations and pledge the full faith and credit of the District. The bonds will be paid from taxes levied against property owners living within the District boundaries. Bonds outstanding as of June 30, 2017 are comprised of the following:

Series	Original Amount	Interest Rate	Balance 6/30/2016	Additions	Retirements	Balance 6/30/2017	Amount Due in One Year
G.O.							
2009	\$ 1,700,000	3.00%	\$ 525,000	\$ -	\$ 525,000	\$ -	\$ -
2010	1,900,000	3.00%-3.125%	1,900,000	-	1,000,000	900,000	900,000
2011	1,400,000	2.00%-3.00%	1,300,000	-	100,000	1,200,000	500,000
2014	2,750,000	1.62%-3.40%	2,750,000	-	-	2,750,000	-
2016	2,750,000	1.144%-2.574%	-	2,750,000	-	2,750,000	-
Ed Tech							
2013	450,000	2.30%	270,000	-	90,000	180,000	90,000
2014 taxable	325,000	.37%-2.031%	257,250	-	81,300	175,950	54,000
2014 tax exempt	275,000	.9237%-1.6437%	217,750	-	68,700	149,050	46,000
2016	600,000	.859%-1.129%	600,000	-	-	600,000	100,000
Total	\$ 12,150,000		\$ 7,820,000	\$ 2,750,000	\$ 1,865,000	\$ 8,705,000	\$ 1,690,000

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

Fiscal Year	Principal	Interest	Total
2018	\$ 1,690,000	\$ 187,507	\$ 1,877,507
2019	1,115,000	139,702	1,254,702
2020	525,000	111,842	636,842
2021	645,000	103,972	748,972
2022	425,000	95,481	520,481
2023-2031	4,305,000	341,734	4,646,734
	\$ 8,705,000	\$ 980,239	\$ 9,685,239

Legal Debt Margin

The legal debt margin is specified by Article IX Section 11 of the Constitution of the State of New Mexico as not greater than 6% of the assessed value of the taxable property within the School District. Based on these criteria, the maximum general obligation debt permissible is \$16,852,592 including \$8,705,000 debt outstanding based on the 2016 valuation.

Changes in long-term liabilities – During the year ended June 30, 2017, the following changes occurred in liabilities reported in the general obligation bonds and compensated absences.

Balance June 30, 2016	Vacatio n Used	Vacatio n Accrued	Balance June 30, 2017	Amount Due in One Year
\$87,195	\$82,105	\$75,908	\$80,998	\$80,998

Compensated absences typically have been liquidated in the general and other governmental funds. Total interest expense on outstanding bonds for the year ended June 30, 2017 was \$221,815.

NOTE 8: RISK MANAGEMENT

The District is a member of the New Mexico Public School Insurance Authority (NMPSIA). NMPSIA 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

**STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 8: RISK MANAGEMENT (continued)

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 property damage coverage at a maximum of \$500,000,000 for 2016-2017 as stated in the annual budget notice. The maximum deductible is \$15,000 with a maximum out of pocket of \$60,000 which when reached will then default to \$750 for the remainder of the policy period. 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 are 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, Money Orders and Money and Securities, which include a \$750 deductible.

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

NOTE 9: EMPLOYEE RETIREMENT PLAN

General Information about the Pension Plan

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

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

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

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

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

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

**STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 9: EMPLOYEE RETIREMENT PLAN (continued)

General Information about the Pension Plan (continued)

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 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes re-employed after July 1, 2010 is as follows:

The member's age and earned service credit add up to the sum of 80 or more,

The member is at least sixty-seven years of age and has five or more years of earned service credit, or

The member has service credit totaling 30 years or more.

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

The member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.

The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits

The member's age is 67, and has earned 5 or more years of service credit.

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

Benefit Options – The Plan has three benefit options available.

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

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

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

**STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS
 Notes to the Financial Statements
 June 30, 2017**

NOTE 9: EMPLOYEE RETIREMENT PLAN (continued)

General Information about the Pension Plan (continued)

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

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

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

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

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

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

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

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

Contributions – For the fiscal year ended June 30, 2017 and 2016 educational employers contributed to the Plan based on the following rate schedule.

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior Year
2017	7-1-16 to 6-30-17	Over \$20k	10.70%	13.90%	24.60%	0.00%
2017	7-1-16 to 6-30-17	\$20k or less	7.90%	13.90%	21.80%	0.00%
2016	7-1-15 to 6-30-17	Over \$20k	10.70%	13.90%	24.60%	0.00%
2016	7-1-15 to 6-30-17	\$20k or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2017 and 2016, the District paid employee and employer contributions of \$110,615 and \$152,041, which equal the amount of the required contributions for each fiscal year.

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS
 Notes to the Financial Statements
 June 30, 2017

NOTE 9: EMPLOYEE RETIREMENT PLAN (continued)

General Information about the Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the District reported a liability of \$39,497,626 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the District's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the District's proportion was .54885%, which was a decrease of 0.01390% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$2,789,730. At June 30, 2017, District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 171,355	\$ 375,672
Changes of assumptions	804,013	
Net difference between projected and actual earnings on pension plan investments	2,357,679	
Changes in proportion and differences between contributions and proportionate share of contributions	127,017	938,310
Employer contributions subsequent to the measurement date	2,111,320	
Total	<u>\$5,571,384</u>	<u>\$1,313,982</u>

\$2,111,320 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 119,421
2019	\$ 517,181
2020	\$ 934,538
2021	\$ 574,943

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

Inflation 3.0%

Salary increases Composed of 3.0% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.

Investment rate of return 7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75 real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

**STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS
 Notes to the Financial Statements
 June 30, 2017**

NOTE 9: EMPLOYEE RETIREMENT PLAN (continued)

General Information about the Pension Plan (continued)

Average of Expected Remaining Service Lives 3.77 years.

Mortality Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB. Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one-year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012. Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB. Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB. Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.

Retirement Age Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.

Cost-of-living increases 2% per year, compounded annually.

Payroll growth 3.5% per year (with no allowance for membership growth).

Contribution accumulation 5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).

Disability Incidence Approved rates applied to eligible members with at least 10 years of service.

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

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

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

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

**STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS
 Notes to the Financial Statements
 June 30, 2017**

NOTE 9: EMPLOYEE RETIREMENT PLAN (continued)

General Information about the Pension Plan (continued)

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$52,313,688	\$39,497,626	\$28,863,915

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

Payable to the pension plan. The District has no payables to the pension plan.

NOTE 10: POST-EMPLOYMENT BENEFITS-STATE RETIREE HEALTH CARE PLAN

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

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

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

**STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 10: POST-EMPLOYMENT BENEFITS-STATE RETIREE HEALTH CARE PLAN (continued)

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

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

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

The District's contributions to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$303,787, \$313,509, and \$480,164, in employer contributions, which equals the required contributions for each year.

NOTE 11: COMMITMENTS AND 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.

**STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 12: OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures as part of the combined statements of certain information concerning individual funds including:

Deficit fund balance of individual funds.

None

Excess of expenditures over appropriations.

For the fiscal year ended June 30, 2016, expenditures exceed appropriations in the following funds:

None.

Designated cash appropriations in excess of available balances:

None.

NOTE 13: 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 and ENMU will split the gate and concession stand proceeds 50/50. 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.

**STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS
 Notes to the Financial Statements
 June 30, 2017**

NOTE 13: JOINT POWERS AGREEMENTS (continued)

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 an 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 school students taking dual credit courses. The District is responsible for paying for the required textbooks and other course supplies for the dual credit student.

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 14: RESTATEMENT OF FUND BALANCE AND NET POSITION

The beginning Fund Balance in the Ed Tech Equipment Act fund was restated by \$125 to correct the prior year recording of interest income from NMFA and the related restricted investments asset account. The same restatement was made to the beginning Net Position in the Statement of Activities.

The summaries of the restatements are as follow:

June 30, 2016 Fund balance Ed Tech Equipment Act	\$ 75,974
Restatement: To correct the recording of prior year interest income	<u>125</u>
July 1, 2016 Fund Balance – Ed Tech Equipment Act	<u>\$ 76,099</u>
June 30, 2016 Net Position	\$ 4,193,104
Restatement: To correct the recording of prior year interest income	<u>125</u>
July 1, 2016 Net Position	<u>\$ 4,193,229</u>

**STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017**

NOTE 15: SUBSEQUENT PRONOUNCEMENTS

In April 2015, GASB issued Government Accounting Standards Board Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, to address an issue relating to the availability of data relating to multiple-employer defined benefit plans that arose during the implementation of GASB Statement No. 68. The provisions of the statement are effective for financial statement periods beginning after December 15, 2015. The pronouncement is expected to have no effect on the District in upcoming years.

In March 2016, GASB issued Government Accounting Standards Board Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, 68, and No. 73. 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. The District is evaluating the effects on the financial statement of this pronouncement.

NOTE 16: CITY OF PORTALES TAX ABATEMENT

The City of Portales entered into a Industrial Revenue Bond Agreement with DairiConcepts, L.P. to abate property and gross receipts taxes. The property was never valued by the Roosevelt County, but the Roosevelt County Treasurer has provided an estimate of \$33,393 of the District's portion of abated property tax.

NOTE 17: SUBSEQUENT EVENTS

Management review

The date to which events occurring after June 30, 2017, the date of the most recent Statement of Net Position, have been evaluated for possible adjustment to the financial statements and disclosures is November 8, 2017 which is the date on which the financial statements were available for release.

STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
NON-MAJOR GOVERNMENTAL FUND DESCRIPTIONS
JUNE 30, 2017

ALL FUNDS – All funds were created by management directive.

Special Revenue Funds

ATHLETICS – This is an auxiliary fund to account for budgeted athletics of the school for activities that are considered to be non-instructional. Authority for the creation of this fund is NMAC 6.20.2.

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

IDEA B – PRESCHOOL – To account for revenue received under the Preschool Public Act P.L. 99-457 for the purpose of providing special educational services to the developmentally delayed preschool children. This fund is federally funded and is restricted to expenditure by grant application. Required by the New Mexico State Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund.

ENGLISH LANGUAGE ACQUISITION – To ensure that limited English proficient children and youth, including immigrant children and youth, attain English proficiency and meet the same challenging State academic content and student academic achievement standards as all children and youth are expected to meet. The authority for the creation of this fund is the Elementary and Secondary Education Act, as amended, Title III, Part A, Sections 3101, 3129.

TEACHER/PRINCIPAL TRAINING – To provide grants to State Education Agencies on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement. The authority for the creation of this fund is the Elementary and Secondary Education Act of 1965 as amended, Title II, Part A, Public Law 107-110.

RURAL AND LOW INCOME SCHOOLS – To account for federal grant assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools, and specifically to provide funds for teacher recruitment, retention, and teacher professional development, educational technology, and parental involvement activities. Authority for this fund comes from the Elementary and Secondary Education Act of 1965, as amended, Title VI, Part B, as amended.

USHHA/CDC School Health – 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 – To account for funding of a Federal program to provide financial assistance to school districts 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 (Sections 4) in school enrollment as the result of Federal activities; to provide disaster assistance for reduced or increased operating costs (Sections 7 (a)), for replacing or repairing damaged or destroyed supplies, equipment, and books, and for repairing minor damage to facilities. Authorized by Public Law 81-874.

STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
NON-MAJOR GOVERNMENTAL FUND DESCRIPTIONS
JUNE 30, 2017

Special Revenue Funds (continued)

TITLE XIX MEDICAID – The purpose of this fund is to account for reimbursement of health-related services of Medicaid eligible students receiving related services, for administrative time study, and for a statement of service costs study. Authorized by the Social Security Act.

2009 DUAL CREDIT INSTRUCTIONAL MATERIALS – This fund was created to account for funds provided to the District to pay for required textbooks and materials needed for dual credit activities. The authority and funding for this fund is provided under HB214 which amended Section 21-1-1.2 and Section 21-13-19 related to dual credit.

2012 G.O. BOND LIBRARY FUND SB-66 – This fund is used to account for the revenue and expenditures to acquire supplementary library books, equipment, and library resources for public schools and juvenile detention libraries statewide.

NEW MEXICO READS TO LEAD – To account for the funding provided by the PED for the purchase of K-3 non-fiction books, K-3 non-fiction classroom libraries, and K-3 non-fiction text materials. Fund was created under the state-wide reading initiative authorized under NM Section 22-13-1.3.

PRE K INITIATIVE — To account for state program used to provide center-based education services to four-year-olds within the district. This state fund initiative was established in 2005.

BREAKFAST FOR ELEMENTARY STUDENTS – To account for funds used to provide elementary students with breakfast in the classroom. Creation authorized by the Child Nutrition Act of the United States Department of Agriculture.

GRADS Child Care – 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. Authorized by the Social Security Act Title IV, Part A, as amended; Personal Responsibility Act and Work Opportunity Reconciliation Act of 1996, Public Law 104-193 Balance Budget Act of 1997, Public Law 105-33.

GRADS INSTRUCTION – To provide assistance to needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of two-parent families. Authorized by the Social Security Act Title IV, Part A, as amended; Personal Responsibility Act and Work Opportunity Reconciliation Act of 1996, Public Law 104-193 Balance Budget Act of 1997, Public Law 105-33.

GRADS PLUS – To provide assistance to needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of two-parent families. Authorized by the Social Security Act Title IV, Part A, as amended; Personal Responsibility Act and Work Opportunity Reconciliation Act of 1996, Public Law 104-193 Balance Budget Act of 1997, Public Law 105-33.

PRIVATE DIRECT GRANTS – To account for grants received from private sources. Funding provided by grant contract in which sources will vary from year to year. Expenditures in this fund are stipulated by individual grant contract. All private grants are subject to board approval.

STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
NON-MAJOR GOVERNMENTAL FUND DESCRIPTIONS
JUNE 30, 2017

Capital Projects Funds

Special Capital Outlay - State – 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 – State – To account for resources received through Senate Bill 9 state match obtained for the purpose of building, remodeling, and equipping classroom facilities. Funding authority is the New Mexico Public Education Department.

Education Technology Equipment Act – 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 – To account for the accumulation of financial resources for, and the payment of, general longterm debt principal and interest. Authority for the creation of this fund is the New Mexico Public Education Department.

ED TECH DEBT SERVICE - This fund is established to receive revenue for the payment of interest and principal on outstanding general obligation school bond issues.

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	<u>SPECIAL REVENUE</u>		
	<u>ATHLETICS</u>	<u>TITLE I</u>	<u>TITLE I MIGRANT</u>
ASSETS			
Cash on Deposit	\$ 4,706	\$ 14,764	\$ -
Investments	-		
Due From Other Funds		-	-
Due From Other Agencies	-	25,908	10,112
Property Taxes Receivable	-	-	-
Inventory	-	-	-
TOTAL ASSETS	<u>\$ 4,706</u>	<u>\$ 40,672</u>	<u>\$ 10,112</u>
LIABILITIES AND FUND BALANCE			
Accounts Payable	\$ -	\$ 1,401	\$ -
Accrued Payroll	997	39,271	1,363
Due to Other Funds	-	-	8,749
TOTAL LIABILITIES	<u>997</u>	<u>40,672</u>	<u>10,112</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	-	-	-
Unearned Revenue	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE			
Nonspendable	-	-	-
Restricted:			
Transportation			
Instructional Materials			
Capital Projects Funds			
Debt Service			
Cafeteria	-	-	-
Athletics	3,709	-	-
Special Revenue Funds	-	-	-
Unassigned	-	-	-
TOTAL FUND BALANCE	<u>3,709</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 4,706</u>	<u>\$ 40,672</u>	<u>\$ 10,112</u>

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

SPECIAL REVENUE

IDEA-B PRESCHOOL	ENGLISH LANGUAGE ACQUISITION	TEACHER PRINCIPAL TRAINING	RURAL & LOW INCOME SCHOOLS	USHHA/CDC SCHOOL HEALTH	IMPACT AID SPECIAL EDUCATION
\$ 385	\$ -	\$ 6,101	\$ -	\$ -	\$ 8,707
-	-	-	-	-	-
1,157	9,133	-	11,175	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,542</u>	<u>\$ 9,133</u>	<u>\$ 6,101</u>	<u>\$ 11,175</u>	<u>\$ -</u>	<u>\$ 8,707</u>
\$ -	\$ -	\$ -	\$ 1,028	\$ -	\$ -
1,542	1,927	6,101	1,123	-	-
-	7,206	-	9,024	-	-
<u>1,542</u>	<u>9,133</u>	<u>6,101</u>	<u>11,175</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	8,707
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,707</u>
<u>\$ 1,542</u>	<u>\$ 9,133</u>	<u>\$ 6,101</u>	<u>\$ 11,175</u>	<u>\$ -</u>	<u>\$ 8,707</u>

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

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	SPECIAL REVENUE		
	TITLE XIX MEDICAID 3-21 YEARS	2009 DUAL CREDIT INSTRUCTIONAL MATERIALS	2012 GO BOND LIBRARY FUND SB-66
ASSETS			
Cash on Deposit	\$ 15,555	\$ -	\$ -
Investments			
Due From Other Funds	-	-	-
Due From Other Agencies	-	-	5,088
Property Taxes Receivable	-	-	-
Inventory	-	-	-
TOTAL ASSETS	\$ 15,555	\$ -	\$ 5,088
LIABILITIES AND FUND BALANCE			
Accounts Payable	\$ -	\$ -	\$ -
Accrued Payroll	15,555	-	-
Due to Other Funds	-	-	5,088
TOTAL LIABILITIES	15,555	-	5,088
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	-	-	-
Unearned Revenue	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-
FUND BALANCE			
Nonspendable	-	-	-
Restricted:			
Transportation			
Instructional Materials			
Capital Projects Funds			
Debt Service			
Cafeteria			
Athletics			
Special Revenue Funds	-	-	-
Unassigned	-	-	-
TOTAL FUND BALANCE	-	-	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 15,555	\$ -	\$ 5,088

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

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	SPECIAL REVENUE		
	GRADS PLUS	PRIVATE DIRECT GRANTS	SPECIAL CAPITAL OUTLAY STATE
ASSETS			
Cash on Deposit	\$ 1,210	\$ 16,237	\$ -
Investments			
Due From Other Funds	-	-	-
Due From Other Agencies	-	-	-
Property Taxes Receivable	-	-	-
Inventory	-	-	-
TOTAL ASSETS	\$ 1,210	\$ 16,237	\$ -
LIABILITIES AND FUND BALANCE			
Accounts Payable	\$ 434	\$ 9,525	\$ -
Accrued Payroll	7	-	-
Due to Other Funds	-	-	-
TOTAL LIABILITIES	441	9,525	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	-	-	-
Unearned Revenue	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-
FUND BALANCE			
Nonspendable	-	-	-
Restricted:			
Transportation			
Instructional Materials			
Capital Projects Funds			-
Debt Service			
Cafeteria			
Athletics			
Special Revenue Funds	769	6,712	
Unassigned			
TOTAL FUND BALANCE	769	6,712	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 1,210	\$ 16,237	\$ -

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

CAPITAL PROJECTS		DEBT SERVICE		TOTAL NON MAJOR FUNDS
SENATE BILL NINE - STATE	ED TECH EQUIPMENT ACT	DEBT SERVICE	ED TECH DEBT SERVICE	
\$ -	\$ -	\$ 213,596	\$ 309,226	\$ 604,698
-	457,209	-	-	457,209
14,342	-	-	-	-
-	-	210,883	34,789	110,038
-	-	-	-	245,672
<u>\$ 14,342</u>	<u>\$ 457,209</u>	<u>\$ 424,479</u>	<u>\$ 344,015</u>	<u>\$ 1,417,617</u>
\$ 3,109	\$ 34,769	\$ -	\$ -	\$ 53,936
-	-	-	-	92,622
11,233	-	-	-	60,228
<u>14,342</u>	<u>34,769</u>	<u>-</u>	<u>-</u>	<u>206,786</u>
-	-	155,441	25,519	180,960
-	-	-	-	-
-	-	155,441	25,519	180,960
-	-	-	-	-
-	-	-	-	-
-	422,440	-	-	422,440
-	-	269,038	318,496	587,534
-	-	-	-	-
-	-	-	-	3,709
-	-	-	-	16,188
-	-	-	-	-
<u>-</u>	<u>422,440</u>	<u>269,038</u>	<u>318,496</u>	<u>1,029,871</u>
<u>\$ 14,342</u>	<u>\$ 457,209</u>	<u>\$ 424,479</u>	<u>\$ 344,015</u>	<u>\$ 1,417,617</u>

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

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	SPECIAL REVENUE		
	ATHLETICS	TITLE I	TITLE I MIGRANT
REVENUE			
Federal Programs	\$ -	\$ 996,129	\$ 103,073
State Programs	-	-	-
State Equalization	-	-	-
Interest Earnings	17	-	-
Private/Direct Grants	-	-	-
Charges for Services	-	-	-
Fees	116,543	-	-
Sale of Bond Proceeds	-	-	-
Local Property Taxes	-	-	-
TOTAL REVENUES	<u>116,560</u>	<u>996,129</u>	<u>103,073</u>
EXPENDITURES			
Current			
Instruction	114,912	764,081	6,128
Support Services			
Support Services-Students	-	420	92,493
Support Services-Instruction	-	2,678	-
Support Services-General Administration	-	35,634	3,370
Support Services-School Administration	-	193,316	1,082
Central Services	-	-	-
Operation & Maintenance of Plant	-	-	-
Student Transportation	-	-	-
Food Services-Operations	-	-	-
Community Services-Operations	-	-	-
Acquisition & Construction	-	-	-
Debt Service			
Principal	-	-	-
Interest	-	-	-
TOTAL EXPENDITURES	<u>114,912</u>	<u>996,129</u>	<u>103,073</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	1,648	-	-
Other Financing Sources (uses)			
Refunds to PED	-	-	-
Transfer/Refunds	-	-	-
Total Other Financial Sources	<u>-</u>	<u>-</u>	<u>-</u>
Net Change In Fund Balance	1,648	-	-
FUND BALANCE			
as of June 30, 2016	2,061	-	-
Restatement	-	-	-
Restated Balance	<u>2,061</u>	<u>-</u>	<u>-</u>
FUND BALANCE			
as of June 30, 2017	<u>\$ 3,709</u>	<u>\$ -</u>	<u>\$ -</u>

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

SPECIAL REVENUE

IDEA-B PRESCHOOL	ENGLISH LANGUAGE ACQUISITION	TEACHER PRINCIPAL TRAINING	RURAL & LOW INCOME SCHOOLS	USHHA/CDC SCHOOL HEALTH	IMPACT AID SPECIAL EDUCATION
\$ 39,527	\$ 22,650	\$ 151,075	\$ 61,823	\$ 3,507	\$ 7,477
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
39,527	22,650	151,075	61,823	3,507	7,477
39,527	21,504	145,662	49,089	3,507	9,748
-	-	-	8,630	-	11,242
-	-	-	-	-	-
-	444	5,413	2,216	-	-
-	702	-	1,888	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
39,527	22,650	151,075	61,823	3,507	20,990
-	-	-	-	-	(13,513)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(13,513)
-	-	-	-	-	22,220
-	-	-	-	-	-
-	-	-	-	-	22,220
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,707

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

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	SPECIAL REVENUE		
	TITLE XIX MEDICAID 3-21 YEARS	2009 DUAL CREDIT INSTRUCTIONAL MATERIALS	2012 GO BOND LIBRARY FUND SB-66
REVENUE			
Federal Programs	\$ 187,208	\$ -	\$ -
State Programs	-	16,963	13,099
State Equalization	-	-	-
Interest Earnings	-	-	-
Private/Direct Grants	-	-	-
Charges for Services	-	-	-
Fees	-	-	-
Sale of Bond Proceeds	-	-	-
Local Property Taxes	-	-	-
TOTAL REVENUES	187,208	16,963	13,099
EXPENDITURES			
Current			
Instruction	186,308	16,963	-
Support Services			
Support Services-Students	-	-	-
Support Services-Instruction	-	-	13,099
Support Services-General Administration	-	-	-
Support Services-School Administration	-	-	-
Central Services	-	-	-
Operation & Maintenance of Plant	-	-	-
Student Transportation	-	-	-
Food Services-Operations	-	-	-
Community Services-Operations	-	-	-
Acquisition & Construction	-	-	-
Debt Service			
Principal	-	-	-
Interest	-	-	-
TOTAL EXPENDITURES	186,308	16,963	13,099
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	900	-	-
Other Financing Sources (uses)			
Refunds to PED	-	-	-
Transfer/Refunds	-	-	-
Total Other Financial Sources	-	-	-
Net Change In Fund Balance	900	-	-
FUND BALANCE			
as of June 30, 2016	(900)	-	-
Restatement	-	-	-
Restated Balance	(900)	-	-
FUND BALANCE			
as of June 30, 2017	\$ -	\$ -	\$ -

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

SPECIAL REVENUE				
NEW MEXICO READS TO LEAD	PRE K INITIATIVE	BREAKFAST FOR ELEMENTARY STUDENTS	GRADS CHILDCARE	GRADS INSTRUCTION
\$ -	\$ -	\$ -	\$ -	\$ -
245,901	472,979	112,202	4,000	9,500
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
245,901	472,979	112,202	4,000	9,500
245,901	439,379	-	4,000	9,500
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	33,600	-	-	-
-	-	112,202	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
245,901	472,979	112,202	4,000	9,500
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -

The accompanying footnotes are an integral part of these financial statements.
49

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	SPECIAL REVENUE		
	GRADS PLUS	PRIVATE DIRECT GRANTS	SPECIAL CAPITAL OUTLAY STATE
REVENUE			
Federal Programs	\$ -	\$ -	\$ -
State Programs	16,000	-	96,217
State Equalization	-	-	-
Interest Earnings	-	-	-
Private/Direct Grants	-	20,000	-
Charges for Services	-	-	-
Fees	-	-	-
Sale of Bond Proceeds	-	-	-
Local Property Taxes	-	-	-
TOTAL REVENUES	16,000	20,000	96,217
EXPENDITURES			
Current			
Instruction	15,717	13,288	-
Support Services			
Support Services-Students	-	-	-
Support Services-Instruction	-	-	-
Support Services-General Administration	-	-	-
Support Services-School Administration	-	-	-
Central Services	-	-	-
Operation & Maintenance of Plant	-	-	-
Student Transportation	-	-	-
Food Services-Operations	-	-	-
Community Services-Operations	-	-	-
Acquisition & Construction	-	-	96,217
Debt Service			
Principal	-	-	-
Interest	-	-	-
TOTAL EXPENDITURES	15,717	13,288	96,217
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	283	6,712	-
Other Financing Sources (uses)			
Refunds to PED	-	-	-
Transfer/Refunds	-	-	-
Total Other Financial Sources	-	-	-
Net Change In Fund Balance	283	6,712	-
FUND BALANCE			
as of June 30, 2016	486	-	-
Restatement	-	-	-
Restated Balance	486	-	-
FUND BALANCE as of June 30, 2017	\$ 769	\$ 6,712	\$ -

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

CAPITAL PROJECTS		DEBT SERVICE		
SENATE BILL NINE - STATE	ED TECH EQUIPMENT ACT	DEBT SERVICE	ED TECH DEBT SERVICE	TOTAL NON MAJOR FUNDS
\$ -	\$ -	\$ -	\$ -	\$ 1,572,469
225,952	-	-	-	1,212,813
-	-	-	-	-
-	2,240	603	248	3,108
-	-	-	-	20,000
-	-	-	-	-
-	-	-	-	116,543
-	600,000	-	-	600,000
-	-	1,802,014	317,402	2,119,416
<u>225,952</u>	<u>602,240</u>	<u>1,802,617</u>	<u>317,650</u>	<u>5,644,349</u>
-	-	-	-	2,085,214
-	-	-	-	112,785
-	-	-	-	15,777
-	-	18,014	3,154	68,245
-	-	-	-	196,988
-	-	-	-	-
-	-	-	-	-
-	-	-	-	33,600
-	-	-	-	112,202
-	-	-	-	-
125,211	255,899	-	-	477,327
-	-	1,625,000	240,000	1,865,000
-	-	204,189	14,407	218,596
<u>125,211</u>	<u>255,899</u>	<u>1,847,203</u>	<u>257,561</u>	<u>5,185,734</u>
100,741	346,341	(44,586)	60,089	458,615
-	-	-	-	-
<u>(1,760,370)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,760,370)</u>
(1,760,370)	-	-	-	(1,760,370)
(1,659,629)	346,341	(44,586)	60,089	(1,301,755)
1,659,629	75,974	313,624	258,407	2,331,501
-	125	-	-	125
<u>1,659,629</u>	<u>76,099</u>	<u>313,624</u>	<u>258,407</u>	<u>2,331,626</u>
<u>\$ -</u>	<u>\$ 422,440</u>	<u>\$ 269,038</u>	<u>\$ 318,496</u>	<u>\$ 1,029,871</u>

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

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS
 COMBINING BALANCE SHEET -- GENERAL FUND

June 30, 2017

	Operational	Transportation	Instructional Materials	TOTALS
ASSETS				
Cash on Deposit	\$ 1,293,598	\$ -	\$ 59,850	\$ 1,353,448
Due from Other Funds	413,948	-	-	413,948
Property Tax Receivable	11,904	-	-	11,904
TOTAL ASSETS	\$ 1,719,450	\$ -	\$ 59,850	\$ 1,779,300
LIABILITIES AND FUND BALANCE				
Accounts Payable	\$ 130,088	\$ -	\$ -	\$ 130,088
Accrued Payroll	1,217,159	-	-	1,217,159
TOTAL LIABILITIES	1,347,247	-	-	1,347,247
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	10,965	-	-	10,965
Unearned Revenue	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	10,965	-	-	10,965
FUND BALANCE				
Nonspendable	-	-	-	-
Restricted:				
Transportation	-	-	-	-
Instructional Materials	-	-	59,850	59,850
Capital Projects Funds	-	-	-	-
Debt Service	-	-	-	-
Cafeteria	-	-	-	-
Athletics	-	-	-	-
Special Revenue Funds	-	-	-	-
Committed for				
Subsequent year's expenditures	361,238	-	-	361,238
Unassigned	-	-	-	-
TOTAL FUND BALANCE	361,238	-	59,850	421,088
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 1,719,450	\$ -	\$ 59,850	\$ 1,779,300

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

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
 IN FUND BALANCE -- GENERAL FUND

Year Ended June 30, 2017

	Operational	Transportation	Instructional Materials	TOTALS
REVENUE				
Federal Programs	\$ 195,422	\$ -	\$ -	\$ 195,422
State Programs	-	928,608	124,919	1,053,527
State Equalization	20,585,581	-	-	20,585,581
Interest Earnings	3,975	-	-	3,975
Charges For Services	32,536	-	-	32,536
Donations	400	-	-	400
Sale of Property	4,965	-	-	4,965
Miscellaneous	4,358	-	-	4,358
Refund of Prior Year's Expenditures	1,588	-	1,452	3,040
Local Property Taxes	125,352	-	-	125,352
TOTAL REVENUES	20,954,177	928,608	126,371	22,009,156
EXPENDITURES				
Current				
Instruction	12,990,045	-	233,047	13,223,092
Support Services				
Support Services-Students	2,234,135	-	-	2,234,135
Support Services-Instruction	247,958	-	-	247,958
Support Services-General Administration	610,808	-	-	610,808
Support Services-School Administration	1,444,569	-	-	1,444,569
Central Services	788,064	-	-	788,064
Operation & Maintenance of Plant	2,496,562	-	-	2,496,562
Student Transportation	-	928,608	-	928,608
TOTAL EXPENDITURES	20,812,141	928,608	233,047	21,973,796
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	142,036	-	(106,676)	35,360
Other Financing Sources (uses)				
Transfer IN (OUT)	-	-	-	-
Total Other Financial Sources	-	-	-	-
Net Change In Fund Balances	142,036	-	(106,676)	35,360
FUND BALANCE				
as of June 30, 2016	219,202	-	166,526	385,728
Restatement	-	-	-	-
Restated Balance	219,202	-	166,526	385,728
FUND BALANCE as of June 30, 2017	\$ 361,238	\$ -	\$ 59,850	\$ 421,088

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

STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
AND ACTUAL--GENERAL FUND--OPERATIONAL

Year Ended June 30, 2017

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Residential/Non-Residential Taxes	\$ 125,083	\$ 125,083	\$ 128,049	\$ 2,966
Fees-Users	25,000	25,000	32,556	7,556
Donations/Gifts	100	100	400	300
Interest Income	3,600	3,600	3,975	375
State Equalization	20,942,614	20,587,627	20,585,581	(2,046)
Impact Aid	9,000	9,000	7,323	(1,677)
Rent	800	800	-	(800)
Sale of Property/Equipment	4,000	4,000	4,965	965
Access Board	80,000	80,000	72,950	(7,050)
Refunds	260	260	1,588	1,328
Indirect Cost - (Flow Through Grants)	130,172	130,172	115,150	(15,022)
Insurance Recoveries	10,000	10,000	4,358	(5,642)
TOTAL REVENUE	21,330,629	20,975,642	\$ 20,956,895	\$ (18,747)
Cash Balance Budgeted	265,573	299,232		
TOTAL REVENUE & CASH	\$ 21,596,202	\$ 21,274,874		
EXPENDITURES				
Current				
Instruction	\$ 13,797,622	\$ 13,289,158	\$ 13,061,309	\$ 227,849
Support Services				
Support Services-Students	2,088,406	2,259,847	2,234,135	25,712
Support Services-Instruction	287,316	252,098	247,958	4,140
Support Services-General Administration	619,273	624,270	604,241	20,029
Support Services-School Administration	1,460,936	1,456,674	1,444,364	12,310
Central services	714,500	748,101	741,682	6,419
Operation & Maintenance of Plant	2,609,635	2,626,212	2,432,050	194,162
Other Support Services	18,514	18,514	-	18,514
TOTAL EXPENDITURES	\$ 21,596,202	\$ 21,274,874	\$ 20,765,739	\$ 509,135

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 20,956,895
Differences-Budget to GAAP	
Prior Year Taxes Receivable	(11,084)
Current Year Taxes Receivable	11,904
Current Year Deferral	(10,965)
Prior Year Deferral	7,427
Total Revenues (GAAP Basis)	\$ 20,954,177

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 20,765,739
Differences-budget to GAAP	
Current year Payable	130,088
Prior Year Payable	(83,686)
Total Expenditures (GAAP Basis)	\$ 20,812,141

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

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--GENERAL FUND--TRANSPORTATION FUND

Year Ended June 30, 2017

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Flow Through Grants	\$ 998,829	\$ 928,608	\$ 928,608	\$ -
TOTAL REVENUE	<u>998,829</u>	<u>928,608</u>	<u>928,608</u>	<u>\$ -</u>
Cash Balance Budgeted	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 998,829</u>	<u>\$ 928,608</u>		
EXPENDITURES				
Current				
Student Transportation	\$ 998,829	\$ 928,608	\$ 928,608	-
TOTAL EXPENDITURES	<u>\$ 998,829</u>	<u>\$ 928,608</u>	<u>928,608</u>	<u>-</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 928,608
Differences-Budget to GAAP	
Total Revenues (GAAP Basis)	<u>\$ 928,608</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 928,608
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 928,608</u>

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

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--GENERAL FUND--INSTRUCTIONAL MATERIALS FUND

Year Ended June 30, 2017

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Flow Through Grants	\$ 151,489	\$ 124,920	\$ 124,919	\$ (1)
Refunds	1,000	1,000	1,452	452
TOTAL REVENUE	<u>152,489</u>	<u>125,920</u>	<u>\$ 126,371</u>	<u>\$ 451</u>
Cash Balance Budgeted	<u>-</u>	<u>171,232</u>		
TOTAL REVENUE & CASH	<u>\$ 152,489</u>	<u>\$ 297,152</u>		
EXPENDITURES				
Current				
Instruction	\$ 152,489	\$ 297,152	\$ 237,753	\$ 59,399
TOTAL EXPENDITURES	<u>\$ 152,489</u>	<u>\$ 297,152</u>	<u>\$ 237,753</u>	<u>\$ 59,399</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 126,371
Differences-Budget to GAAP	
Total Revenues (GAAP Basis)	<u>\$ 126,371</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 237,753
Differences-budget to GAAP	
Prior Year Payable	(4,706)
Total Expenditures (GAAP Basis)	<u>\$ 233,047</u>

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

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--CAPITAL PROJECTS FUND--BOND BUILDING

Year Ended June 30, 2017

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Interest Income	\$ 2,000	\$ 8,555	\$ 56	\$ (8,499)
Bond Proceeds	-	2,750,000	1,542,980	(1,207,020)
TOTAL REVENUE	2,000	2,758,555	\$ 1,543,036	\$ (1,215,519)
Cash Balance Budgeted	233,187	312,279		
TOTAL REVENUE & CASH	\$ 235,187	\$ 3,070,834		
EXPENDITURES				
Current				
Acquisition & Construction	\$ 235,187	\$ 3,070,834	\$ 1,855,316	\$ 1,215,518
TOTAL EXPENDITURES	\$ 235,187	\$ 3,070,834	\$ 1,855,316	\$ 1,215,518

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 1,543,036
Differences-Budget to GAAP	
NMFA Interest earned	8,126
Additional bond proceeds	1,207,020
Total Revenues (GAAP Basis)	<u>\$ 2,758,182</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 1,855,316
Differences-budget to GAAP	
Current Year payable	165,572
Prior Year Payable	(53,383)
Total Expenditures (GAAP Basis)	<u>\$ 1,967,505</u>

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

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--SPECIAL REVENUE FUND--SENATE BILL 9 - LOCAL

Year Ended June 30 2017

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Residential/Non-Residential Taxes	\$ 506,880	\$ 506,880	\$ 518,886	\$ 12,006
Interest Income	3,000	3,000	3,645	645
Refunds	-	-	775	775
TOTAL REVENUE	<u>509,880</u>	<u>509,880</u>	<u>\$ 523,306</u>	<u>\$ 13,426</u>
Cash Balance Budgeted	<u>1,580,806</u>	<u>1,683,934</u>		
TOTAL REVENUE & CASH	<u>\$ 2,090,686</u>	<u>\$ 2,193,814</u>		
EXPENDITURES				
Current				
Support Services-General Administration	\$ 5,061	\$ 5,561	\$ 5,189	\$ 372
Acquisition & Construction	2,085,625	2,188,253	610,726	1,577,527
TOTAL EXPENDITURES	<u>\$ 2,090,686</u>	<u>\$ 2,193,814</u>	<u>\$ 615,915</u>	<u>\$ 1,577,899</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 523,306
Differences-Budget to GAAP	
Property tax Receivable	60,109
Prior Year Tax Receivables	(59,883)
Total Revenues (GAAP Basis)	<u>\$ 523,532</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 615,915
Differences-budget to GAAP	
Current year accounts payable	89,073
Prior year accounts payable	(22,665)
Total Expenditures (GAAP Basis)	<u>\$ 682,323</u>

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

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2017

	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR NUMBER	PROGRAM EXPENDITURES
<u>US DEPARTMENT OF EDUCATION</u>			
Passed through New Mexico Public Education Department			
Title I	<1> 84.010	24101	996,129
Title I - Migrant	84.011	24103	103,073
IDEA-B Entitlement	84.027	24106	630,508
IDEA B Preschool	84.173	24109	39,527
English Language Acquisition	84.365	24153	22,650
Teacher/Principal Training	84.367	24154	151,075
Rural & Low Income Schools	84.358	24160	61,823
Impact Aid Special Ed	84.041	25145	20,990
Title XIX Medicaid	93.778	25153	186,308
Total Department of Education			<u>2,212,083</u>
<u>US DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through New Mexico Public Education Department			
USHHA/CDC School Health	93.xxx	24186	3,507
Total Department of Health and Human Services			<u>3,507</u>
<u>US DEPARTMENT OF AGRICULTURE</u>			
Passed Through New Mexico Public Education Department			
National School Lunch	<1> 10.555	21000	1,193,984
School Food Commodity Distribution Program	<1> 10.559	21000	106,483
Total Department of Agriculture			<u>1,300,467</u>
 <u>TOTAL FEDERAL AWARDS EXPENDITURES</u>			 <u>\$ 3,516,057</u>
<1> Major Program			
Reconciliation to Federal Revenues in Financial Statements:			
Federal Revenues Per Financial Statements			\$ 3,698,867
Access Board (E-Rate)			(72,950)
			(7,223)
			(115,150)
Change in Fund Balance			12,513
			<u>\$ 3,516,057</u>

Note 1 The accompanying schedule of expenditures of Federal awards includes the Federal awards activity, under programs of the federal government for the year ended June 30, 2017 in accordance with the requirements of Title 2 U.S. code fo Federal Requlation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District , it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Note 2 The District has elected to not use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

Note 3 Non-Monetary assistance of \$106,483 is included in the schedule at fair market value of the commodities received from the Department of Agriculture.

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

SCHEDULE OF PLEDGED COLLATERAL

June 30, 2017

	TOTAL DEPOSITS	FDIC INSURANCE	UNINSURED BANK BALANCE	COLLATERAL REQUIRED	COLLATERAL PLEDGED	SECURITY DEFICIT	UNINSURED & UNCOLLATERALIZED DEPOSITS
JP STONE COMMUNITY BANK	\$ 4,970,109	\$ 250,000	\$ 4,720,109	\$ 2,360,055	\$ 2,750,095	\$ -	\$ 1,970,014

COLLATERAL	CUSIP #	MATURITY	CREDIT AMOUNT
Hobbs NM SD #16	433866ECO	09/15/19	\$ 101,309
Hobbs NM SD #16	433866FY1	09/15/21	304,796
FFCB	3133EFYH4	02/08/27	1,000,000
FHLB	3130A8ZE6	08/22/31	292,827
FFCB	3130A9FD8	09/23/26	953,554
FHLB	3030A8ZE6	08/22/31	97,609
			-
			\$ 2,750,095

LETTER OF CREDITS ISSUED BY
 THE INDEPENDENT BANKERSBANK
 DALLAS, TEXAS

	TOTAL DEPOSITS	FDIC INSURANCE	UNINSURED BANK BALANCE	COLLATERAL REQUIRED	COLLATERAL PLEDGED	SECURITY DEFICIT	UNINSURED & UNCOLLATERALIZED DEPOSITS
NEW MEXICO LGIP	\$ 1,184	\$ -	\$ 1,184	\$ 592	\$ 1,184	\$ -	\$ -

	TOTAL DEPOSITS	FDIC INSURANCE	UNINSURED BANK BALANCE	COLLATERAL REQUIRED	COLLATERAL PLEDGED	SECURITY DEFICIT	UNINSURED & UNCOLLATERALIZED DEPOSITS
US BANK	\$ 23,370	\$ 23,370	\$ -	\$ -	\$ -	\$ -	\$ -

TOTAL ALL BANKS	\$ 4,994,663	\$ 273,370	\$ 4,721,293	\$ 2,360,647	\$ 2,751,279	\$ -	\$ 1,970,014
-----------------	--------------	------------	--------------	--------------	--------------	------	--------------

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

BANK SUMMARY

June 30, 2017

BANK	ACCT TYPE	FUND	BANK BALANCE	DEPOSITS IN TRANSIT	OUTSTANDING CHECKS	CASH BALANCE
JP STONE COMMUNITY BANK	* CHK	OPERATIONAL	\$ 100,876	\$ 1,002	\$ 1	\$ 101,877
	* CHK	FOOD SERVICES	793,419	-	-	793,419
	* CHK	CAPITAL PROJECTS	2,179,350	-	-	2,179,350
	* CHK	ATHLETICS	3,709	-	-	3,709
	CHK	ACCOUNTS PAYABLE CLEARING	25,694	-	25,694	-
	CHK	PAYROLL CLEARING	1,422,281	-	1,416,281	6,000
	* CHK	ACTIVITY	444,780	-	1,002	443,778
TOTAL JP STONE COMMUNITY BANK			4,970,109	1,002	1,442,978	3,528,133
NEW MEXICO LGIP	* SVG	OPERATIONAL	993	-	-	993
	* SVG	ACTIVITY	191	-	-	191
TOTAL NEW MEXICO LGIP			1,184	-	-	1,184
US BANK	* SVG	SCHOLARSHIP	23,370	-	-	23,370
TOTAL			\$ 4,994,663	\$ 1,002	\$ 1,442,978	\$ 3,552,687

* interest bearing

CASH PER FINANCIAL STATEMENTS	\$ 4,451,724
AGENCY CASH	467,339
ACCRUED PAYROLL	(1,366,376)
	<u>\$ 3,552,687</u>

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

BANK RECONCILIATION

JUNE 30, 2017

	Operational	Transportation	Food Services	Athletics	Federal Projects	Local & State	SB-9 State
Audited Net Cash JUNE 30, 2016	\$ 668,628	\$ -	\$ 726,501	\$ 2,138	\$ 32,571	\$ 3,607	\$ 1,683,934
	-	-	-	-	-	-	-
CASH BALANCE JUNE 30, 2016	668,628	-	726,501	2,138	32,571	3,607	1,683,934
Add: Prior year void checks	-	-	-	-	-	-	-
2016-2017 Revenue	20,956,890	928,608	1,309,484	116,560	2,172,331	884,550	214,720
Loans In	313,658	-	-	-	378,699	24,016	11,233
Transfers In	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	21,270,548	928,608	1,309,484	116,560	2,551,030	908,566	225,953
TOTAL AVAILABLE CASH	21,939,176	928,608	2,035,985	118,698	2,583,601	912,173	1,909,887
Less:							
2016-2017 Expenditures	20,765,740	928,608	1,225,574	114,912	2,263,788	893,805	149,516
Loans Out	413,948	-	-	-	309,712	3,946	-
Accrued Payroll	684,043	-	16,992	192	55,669	7,507	-
Transfers Out	-	-	-	-	-	-	1,760,371
Prior year deposit error	-	-	-	-	-	-	-
	21,863,731	928,608	1,242,566	115,104	2,629,169	905,258	1,909,887
NET CASH, JUNE 30, 2017	75,445	-	793,419	3,594	(45,568)	6,915	-
Accrued Payroll	1,217,159	-	32,397	997	91,080	24,743	-
Payroll Clearing Cash	-	-	-	-	-	-	-
Investments	993	-	-	115	-	-	-
TOTAL CASH JUNE 30, 2017	\$ 1,293,597	\$ -	\$ 825,816	\$ 4,706	\$ 45,512	\$ 31,658	\$ -

SB-9 Local	Ed Tech Equipment Act	Ed Tech Debt Service	Debt Service	Instructional Materials	Special Capital Outlay State	Bond Building	Total
\$ -	\$ -	\$ 251,138	\$ 258,786	\$ 171,232	\$ -	\$ 311,287	\$ 4,109,822
			-	-	-	-	-
		251,138	258,786	171,232	-	311,287	4,109,822
		-	-	-	-	-	-
523,306	345,270	315,649	1,802,014	126,371	96,217	1,543,036	31,335,006
							727,606
1,760,371							1,760,371
							-
<u>2,283,677</u>	<u>345,270</u>	<u>315,649</u>	<u>1,802,014</u>	<u>126,371</u>	<u>96,217</u>	<u>1,543,036</u>	<u>33,822,983</u>
2,283,677	345,270	566,787	2,060,800	297,603	96,217	1,854,323	37,932,805
615,915	345,270	257,561	1,847,203	237,753	96,217	1,855,316	31,597,178
							727,606
							764,403
							1,760,371
							-
<u>615,915</u>	<u>345,270</u>	<u>257,561</u>	<u>1,847,203</u>	<u>237,753</u>	<u>96,217</u>	<u>1,855,316</u>	<u>34,849,558</u>
1,667,762	-	309,226	213,597	59,850	-	(993)	3,083,247
							1,366,376
							-
						993	2,101
<u>\$ 1,667,762</u>	<u>\$ -</u>	<u>\$ 309,226</u>	<u>\$ 213,597</u>	<u>\$ 59,850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,451,724</u>

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -- AGENCY FUND

Year Ended June 30, 2017

	<u>BALANCE</u> 06/30/2016	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> 06/30/2017
Administration	\$ 121,724	\$ 101,513	\$ 139,549	\$ 83,688
High School	119,878	280,249	264,522	135,605
Junior High School	68,882	84,793	80,515	73,160
Brown Elementary	18,167	17,020	15,059	20,128
James Elementary	19,878	18,170	22,861	15,187
Lindsey-Steiner Elementary	16,908	38,151	33,464	21,595
Valencia Elementary	42,437	49,128	42,613	48,952
Portales High School Daycare	71,519	145,069	147,478	69,110
Total	<u>\$ 479,393</u>	<u>\$ 734,093</u>	<u>\$ 746,061</u>	467,425
				<u>97,910</u>
Agency fund capital assets (net)				<u>\$ 565,335</u>
Total agency fund assets				<u>\$ 565,335</u>
				<u>\$ 565,335</u>
Due to District and student organizations				<u>\$ 565,335</u>

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS
 SCHEDULE OF THE PROPORTIONATE SHARE OF NET PENSION LIABILITY
 Educational Retirement Board (ERB) Pension Plan

JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.54885%	0.56275%	0.55860%
Proportionate share of the net pension liability	\$ 39,497,626	\$ 36,450,816	\$ 31,874,486
Covered Employee Payroll	15189358	\$ 15,997,856	\$ 15,400,040
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	260.03%	227.85%	206.98%
Plan fiduciary net position as a percentage of total pension liability	61.58%	63.97%	66.54%

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

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS
 SCHEDULE OF CONTRIBUTIONS Educational Retirement Board (ERB) Pension Plan

JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,111,320	\$ 2,178,885	\$ 2,223,580
Contributions in relation to the contractually required contribution	\$ 2,111,320	\$ 2,178,885	\$ 2,223,580
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 15,189,358	\$ 15,997,856	\$ 15,400,040
Contributions as a percentage of covered-employee payroll	13.90%	13.62%	14.44%

*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, the District will present information for those years for which information is available.

STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION: SCHEDULE OF THE PROPORTIONATE
SHARE OF NET PENSION LIABILITY and SCHEDULE OF CONTRIBUTIONS Educational
Retirement Board (ERB) Pension Plan
JUNE 30, 2017

Changes of benefit terms The COLA and retirement eligibility benefits changes in recent years are described in the **Benefits Provided** subsection of the financial statement note disclosure **General Information on the Pension Plan**.

Changes of assumptions.

ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on June 12 2015, ERB implemented the following changes in assumptions for fiscal years 2015 and 2014.

1. Fiscal year 2015 and 2014 valuation assumptions that changed based on this study:

- a. Lower wage inflation from 4.25% to 3.75%
- b. Lower payroll growth from 3.75% to 3.50%
- c. Update demographic assumptions to use currently published tables
- d. Population growth per year from 0.50% to 0.00%

2. Assumptions that were not changed:

- a. Investment return will remain at 7.75%
- b. Inflation will remain at 3.00%
- c. COLA assumption 2.00% per year
- d. Payroll growth remain at 3.50%

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

See also the **Actuarial Assumptions** subsection of the financial statement note disclosure **General Information on the Pension Plan**.

Woodard, Cowen & Co.

Certified Public Accountants

INDEPENDENT AUDITOR'S 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

Mr. Timothy Keller
New Mexico State Auditor
Board of Education
Portales Municipal Schools
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, and the aggregate remaining fund information of Portales Municipal Schools (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 8, 2017.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2017-001.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-001.

The District's Response to Findings

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Woodard, Cowen & Co.".

Woodard, Cowen & Compan

Portales, New Mexico

November 8, 2017

Woodard, Cowen & Co.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mr. Timothy Keller
New Mexico State Auditor
Board of Education
Portales Municipal Schools
Portales, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Portales Municipal Schools' (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, 2017. The District's major federal programs are identified in the summary of auditor's 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.

Auditor's 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, 2017.

Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in cursive script that reads "Woodard, Cowen & Co." The signature is written in dark ink on a white background.

Woodard, Cowen & Company

Portales, New Mexico
November 8, 2017

STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2017

PRIOR YEAR AUDIT FINDINGS

2016-001 – School nutrition status change – (other noncompliance)

Statement of Condition: It was noted, during the testwork over 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.

Recommendation: The auditor recommended 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

Status: Resolved

2016-002 Paid Lunch Equity (Other Noncompliance)

Statement of 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).

Recommendation: The auditor recommended that the District review the PED's School Year Paid Lunch Equity Tool to verify that the District is filling the correct areas of the tool.

Status: Resolved

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2017

I. SUMMARY OF AUDITORS RESULTS:

Report on Financial Statements	Unmodified
Significant Deficiencies on GAGAS	None
Material Weakness involving Significant Deficiencies	None
Material Noncompliance	None
Questioned Cost	None
Type A & Type B dollar threshold	\$750,000
Entity Risk	Low Risk
Major Federal Program	Title I #84.010 National School Lunch #10.555 School Food Commodity Distributions Program #10.599
Significant Deficiencies on Internal Control over Major Programs	None
Report on Compliance with Major Programs	Unmodified
II. FEDERAL PROGRAM FINDINGS:	None

III. FINANCIAL STATEMENT FINDINGS:

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

2017-001 – Deposits not made within 24 hours – Significant deficiency (control and compliance)

Statement of Condition:	During the testing of bank deposits, one deposit totaling \$10 out of 40 deposits tested was not in compliance. This was a single instance from the high school.
Criteria:	NMAC 6.20.2.14 Money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day.
Cause:	Funds collected by District staff were not submitted to the campus secretary in time to deposited with the 24 hour period.
Effect:	The purpose of the 24hour rule is to limit the vulnerability of fund to theft or loss. The longer funds sit on District property there is an increased chance of theft or loss. In addition, some activities are dependent on having funds available in the bank to pay for fund raising or operating expenditures. Funds kept in the office are not available for expenditures.
Recommendation:	All funds should be deposited with 24 hours or one banking day. Funds that must remain on District property due the bank being closed should be in a secure place to prevent theft or destruction. Management should continue monitoring the process and continue training District staff.
Response:	District management reviewed the deposit immediate and informed District employees immediately via email about the importance of depositing receipts with in 24-hours.

STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS

June 30, 2017

OTHER DISCLOSURES

AUDITOR PREPARED FINANCIAL STATEMENTS

These financial statements and related footnotes and supplemental information were prepared by the auditor. The auditor cannot be a part of the District's internal control; thus, the preparation of the report is not a substitute for managements' internal control and is not considered in the auditors' evaluation of the severity of the internal control deficiency.

EXIT CONFERENCE

An exit conference, to discuss the contents of this report, was held on November 8, 2017. In attendance at the 4:00 Pm meeting were Mr. Johnnie Cain, Superintendent; Dr. Alan Garrett, School Board Secretary; and Sarah Stubbs, Director of Finance. John McKinley, Jr. CPA represented our firm at this meeting. Also in attendance was audit committee member Noelle Bartl and Chris Wood.