

**STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS**

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
JUNE 30, 2018**

Woodard, Cowen & Co.

Certified Public Accountants

STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
JUNE 30, 2018

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STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS

OFFICIAL ROSTER

June 30, 2018

BOARD OF EDUCATION

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

SCHOOL OFFICIALS

Johnnie S. Cain	Superintendent
Sarah Stubbs	Director of Finance

Woodard, Cowen & Co.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Mr. Wayne Johnson
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, 2018, 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, 2018.

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, 2018, 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, 2018, 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, the Schedule of Proportionate Share of the Net Pension Liability on page 71, the Schedule of Contributions on page 72, with the notes to the required supplementary information on page 73, and the Schedule of Employer's Proportionate Share of the Net OPEB Liability on page 74 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

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 12, 2018 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.

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

Woodard, Cowen & Co.

Portales, New Mexico

November 12, 2018



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2018



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, 2018. 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 2018 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 one finding from the prior year. We use these findings as an opportunity to review and implement internal controls to make sure they do not occur again. The Finance Department Manual of Procedures are 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 \$28,440,903 or 944.99% mostly due to the restatement of the Net Pension Liability and the OPEB Liability. GASB 67 & 68 require that pensions and retiree healthcare are now listed on our Audit each year. As a result, our audit reports are being skewed and not showing a true picture of where we stand as a District. We are complying with GASB, but if either one of these liabilities were to default, Portales Schools could not cover them.
- ❖ On the Statement of Revenue, Expenditures, and Changes in Fund Balance for Government Funds, there is a lot of encouraging information about revenues and expenditures in the General Fund. The General Fund consists of Operational, Instructional Materials, and Transportation (see page 6). Overall our revenues have seen increase from the prior year and our expenditures have seen a decrease. Because of this, Portales Schools is in better financial position than the prior



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year. We will continue to evaluate revenues and expenditures to make sound financial decisions for the District.

- ❖ Total Revenues increased by \$367,322 or 1.24%. This is encouraging for the District, but we are still watching our declining enrollment and making expenditure changes.
- ❖ Expenditures increased by \$5,024,369 or 16.37%. This includes remodel of our PJHS Cafeteria, moving and remodeling 3 portables at PHS, and an LED retrofit of all lights in the District.

About the Portales Community

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

We are located about 17 miles south of Cannon Air Force Base (CAFB) which is home to the Special Operations Squadron. Located on the western side of Portales is Eastern New Mexico University (ENMU) which recorded enrollment of 6,015 students in the fall of 2018 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 6.6%, higher than the national average of 4.3% for July 2017. 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 2017-18 from preschool to 12th grade was 2,702. The District has 6 grade level schools with the following breakdown:

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

The District also owns administrative facilities including the L.C. Cozzens Administrative Building; the Central Office Annex which houses Federal Programs, Special Student Services, and Technology; and the



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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 2017 tax year was \$276,867,643. This is a decrease of \$4,008,833 from the 2016 value of \$280,876,526 which is a 1.43% decrease. This is the first decrease in over 10 years. 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
2011	1.4
2014	2.75
2016	2.75
2017	1.5
2018	2

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 2017 and 2018, the District passed GO Bonds for \$1,500,000 and \$2,000,000. The proceeds are used for remodel of the Portales Junior High School Cafeteria, parking lot improvements at James Elementary, many roof repairs in the District, design of the PreK Remodel at Brown Early Childhood Center, and many repairs in the District.

In 2018, the District passed an Educational Technology Bond for \$650,000. The ED Tech proceeds are used for technology infrastructure upgrades, staff computer/laptop upgrades, and yearly software licenses.



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For the Fiscal Year Ending June 30, 2018



The SB9 mill levy was approved by the voters in the February 2017 election for six more years (the next election will be in 2023). 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 2017-18 school year, there were 295,219 breakfasts served and 289,498 lunches. That is a total of 584,717 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 and revenues 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 after approved by the Public Education Department.

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



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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 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the District's net position and changes in those activities. This change in net position is important because it identifies whether the financial position of the District has improved



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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 2018 and 2017.

The Statement of Net Position has changed from last year. From this report, you can see that the net position from 2017 has decreased \$28,440,903 from the prior year (which is a rather large amount). Cash decreased \$9,271 even though we have seen an increase in revenues (this will be explained a little more later in the Statement of Activities). Property taxes decreased \$87,871 due to a decrease in property values already discussed. Restricted investments have increased \$2,051,388 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 \$233,371 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 \$3,025,000 for the principal due on those approved bonds. The largest increases were for the net pension liability of \$19,778,279 which we expect to continue to increase that was based off the GASB 67 requirements and for OPEB liability which is being reported for the first time in 2018 of \$16,034,419 because of GASB 68 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, 2018



Table 1-Statement of Net Position Comparison 2018 to 2017

Portales Municipal Schools Statement of Net Position Comparison 2018 to 2017			
	June 30, 2018	June 30, 2017	Variance
Assets:			
Current Assets			
Cash	\$ 4,442,452	\$ 4,451,723	\$ (9,271)
Investments	-	-	-
Receivables:			
Property Taxes	229,815	317,686	(87,871)
Due from other governments	756,686	505,024	251,662
Inventory	16,265	12,956	3,309
Total current assets	5,445,218	5,287,389	157,829
Noncurrent Assets			
Restricted Assets:			
Restricted Investments	3,723,743	1,672,355	2,051,388
Capital Assets, Net	42,218,093	41,984,722	233,371
Total noncurrent assets	45,941,836	43,657,077	2,284,759
Deferred outflows of resources			
Deferred outflows from pensions	16,078,157	5,571,384	10,506,773
Deferred outflows from OPEB	297,407	-	297,407
Total deferred outflows of resources	16,375,564	5,571,384	10,804,180
Total Assets and Deferred Outflows of Resources	\$ 67,762,618	\$ 54,515,850	\$ 13,246,768
Liabilities:			
Current Liabilities			
Accounts Payables	\$ 93,350	\$ 462,278	\$ (368,928)
Accrued payroll	733,084	1,366,376	(633,292)
Accrued interest payable	74,182	79,923	(5,741)
Compensated absences	81,043	80,998	45
Debt due within one year	1,125,000	1,690,000	(565,000)
Non-current Liabilities			
Debt due in more than one year	10,040,000	7,015,000	3,025,000
Net pension liability	59,275,905	39,497,626	19,778,279
OPEB Liability	16,034,419	-	16,034,419
Total Liabilities	\$ 87,456,983	\$ 50,192,201	\$ 21,230,363
Deferred Inflows of Resources:			
Deferred inflows from pensions	2,087,475	1,313,982	773,493
Deferred inflows from OPEB	3,649,396	-	3,649,396
Total Deferred Outflows	\$ 5,736,871	\$ 1,313,982	\$ 4,422,889
Net Position:			
Net investment in capital assets	\$ 31,053,093	\$ 33,279,722	\$ (2,226,629)
Restricted for:			
Debt Service	687,302	587,534	99,768
Bond Building	3,010,094	1,049,574	1,960,520
Senate Bill Nine	1,269,667	1,583,244	(313,577)
Capital projects total	4,279,761	2,632,818	1,646,943
Athletics	205	3,709	(3,504)
Cafeteria	809,519	799,835	9,684
Instructional Materials	70,731	59,850	10,881
Unrestricted	(62,331,847)	(34,353,801)	(27,978,046)
Total Net Position	\$ (25,431,236)	\$ 3,009,667	\$ (26,793,960)
Total liabilities and net position	\$ 67,762,618	\$ 54,515,850	\$ (1,140,708)



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2018



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.

Table 2-Statement of Activities Comparison 2018 to 2017

Portales Municipal Schools			
Statement of Activities Comparison			
2018 to 2017			
	June 30, 2018	June 30, 2017	Variance
Program Revenues:			
Charges for Services	\$ 204,427	\$ 262,925	\$ (58,498)
Operating Grants and Contributions	5,400,715	5,379,246	21,469
Capital Grants and Contributions	177,996	159,333	18,663
General Revenues:			
Property Taxes:			
Levied for general purposes	127,090	128,890	(1,800)
Levied for debt services	1,934,880	2,175,735	(240,855)
Levied for capital projects	534,492	534,263	229
Total Property Taxes	2,596,462	2,838,888	(242,426)
State Equalization Guarantee	21,128,950	20,585,580	543,370
Interest earnings	46,044	19,714	26,330
Miscellaneous Income	59,703	4,758	54,945
Federal sources	231,809	246,490	(14,681)
Gain (Loss) on disposition of assets	14,879	4,965	9,914
Refunds	11,276	3,040	8,236
Total Revenues	\$ 29,872,261	\$ 29,504,939	\$ 367,322
Program Expenses:			
Instruction	\$ 19,393,083	\$ 16,844,273	\$ 2,548,810
Support Services-Students	3,708,041	3,165,347	542,694
Support Services-Instruction	308,682	308,157	525
Support Services-General Administration	785,302	777,912	7,390
Support Services-School Administration	2,318,769	1,982,630	336,139
Total Support Services	7,120,794	6,234,046	886,748
Central Services	858,734	868,245	(9,511)
Operation and Maintenance of Plant	3,348,069	3,967,149	(619,080)
Student Transportation	1,072,954	1,044,756	28,198
Other support services	-	1,081	(1,081)
Food Services	1,728,183	1,507,136	221,047
Interest and other charges	190,155	221,815	(31,660)
Depreciation-Unallocated	2,000,898	-	2,000,898
Total Expenses	\$ 35,712,870	\$ 30,688,501	\$ 5,911,117
Changes in Net Position	\$ (5,840,609)	\$ (1,183,562)	\$ (4,657,047)
Restatement for Beginning Balance	\$ (22,600,294)	\$ 125	\$(22,600,419)
Net Position - Beginning	3,009,667	4,193,104	\$ (1,183,437)
Net Position - Ending	\$(25,431,236)	\$ 3,009,667	\$(28,440,903)



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For the Fiscal Year Ending June 30, 2018



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, 2018. Notice there has been an increase of \$543,370 or 2.64% in the State Equalization Guarantee.

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, most revenues did increase creating an overall increase in revenues of \$367,322 or 1.24%. In the last MD&A for FY2016 and 2017, 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). We have made sure that a majority of our expenses are in instruction. There was an increase of \$2,548,810 in instruction. We decreased spending in Central Services and Operation and Maintenance of Plant to help with those goals.

The Net Change in Net position is a decrease of \$28,440,903 or 50.07% due to the large increases to New Pension Liability and OPEB Liability. These expenses are out of the Districts control.

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 2017, the District amends its budget as needed through Board approval.

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



there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship of governmental activities reported on the Statement of Net Position and the Governmental Fund Financial Statement are reconciled on page 8 of the financial statements.

About the General Fund

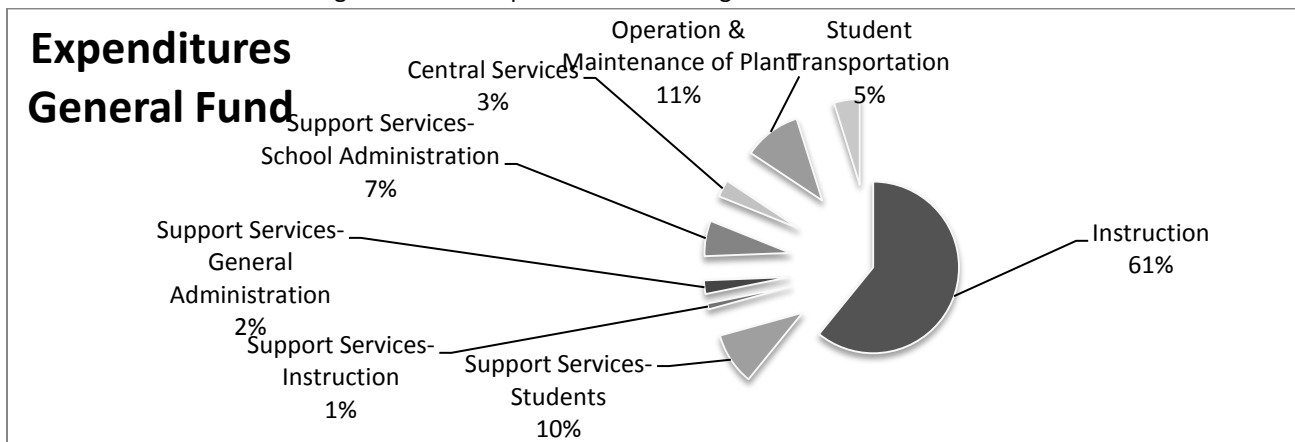
The General Fund is the main operating fund of the District. This year the general fund includes operational (11000), transportation (13000), and instructional materials (14000). As of June 30, 2018, the spendable fund balance of the general fund was \$2,403,978 representing the total fund balance of the general fund on the Balance Sheet-Governmental Funds.

Page 9 shows where the General Fund began the year with an initial budget of \$22,685,936 and ended with a final budget of \$23,174,202. This was an overall increase of \$488,266 or 2.15% 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. \$21,399,766 was expended in the year ending June 30, 2018. This resulted in \$1,774,436 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 \$13,019,389 and represented 61% 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. \$18,307,463.74 or 83.92% of all General Fund expenditures are from employee salaries, payroll taxes, retirement, and benefits.

Figure 1-Actual Expenditure Percentages for General Fund





PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2018



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

Central Services represents 3% of General Fund expenditures. Expenditures included in this function are the Superintendent’s Office, Human Resources, Technology personnel, 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.

2017-18 District Operating Budget compared to Actual Expenditures

The following table (see Table 3) examines the summary budget performance for five Major Governmental Funds for the fiscal year ending June 30, 2018: General Fund, Title I, 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.

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

Major and Non-Major Funds Expenditure Budget Performance			
June 30 2018			
Fund Type	Final Budget	Actual Expenditures	Variance
General Fund (11000, 13000, 14000)	\$ 23,174,202	\$ 21,399,766	\$ 1,774,436
Title I (24101)	\$ 982,860	\$ 887,601	\$ 95,259
Entitlement IDEA-B (24106)	\$ 929,692	\$ 735,595	\$ 194,097
Bond Building (31100)	\$ 4,732,830	\$ 1,734,005	\$ 2,998,825
Senate Bill Nine Fund (31701)	\$ 2,257,790	\$ 1,030,732	\$ 1,227,058

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



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2018



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 12 and additional information is located in the financial statement footnotes. For the year ending June 30, 2018, agency funds show assets of \$553,524.

About Capital Assets

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

Table 4-Capital Asset Comparison June 30, 2018 to June 30, 2017

Fixed Asset Comparison		
Asset Type-Governmental Activities	Balance June 30, 2018	Balance June 30, 2017
Land	\$ 787,173	\$ 787,173
Building and Improvements	61,615,332	59,715,645
Equipment and Vehicles	6,805,272	6,774,552
Construction in Progress	-	-
Total Capital Assets	\$ 69,207,777	\$ 67,277,370
Less: Accumulated Depreciation	(27,177,911)	(25,292,648)
Capital Assets, net	\$ 42,029,866	\$ 41,984,722
Asset Type-Agency Activities		
Building and Improvements	6,982	6,982
Equipment and Vehicles	210,959	222,124
Construction in Progress	-	-
Total Capital Assets	\$ 217,941	\$ 229,106
Less: Accumulated Depreciation	(154,044)	(131,196)
Capital Assets, net	\$ 63,897	\$ 97,910

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



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2018



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. 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, 2018 (see Table 5).

Table 5-Long-term Debt as of June 30, 2018

Long-term Debt			
Date of Issue	Amount of Issue	Balance as of June 30, 2018	Due Within One Year
2011	1,400,000	700,000	700,000
2013 - Ed Tech	450,000	90,000	90,000
2014	2,750,000	2,750,000	-
2014 - Ed Tech (Taxable)	325,000	121,950	121,950
2014 - Ed Tech (Tax Exempt)	275,000	103,050	103,050
2016	2,750,000	2,750,000	-
2016 - Ed Tech	600,000	500,000	100,000
2017	1,500,000	1,500,000	10,000
2018	2,000,000	2,000,000	-
2018 - Ed Tech	650,000	650,000	-
Total Long-term Debt	\$ 12,700,000	\$ 11,165,000	\$ 1,125,000

2017-2018 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.



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2018



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 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.



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2018



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 May 2018, 67.97% 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 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.

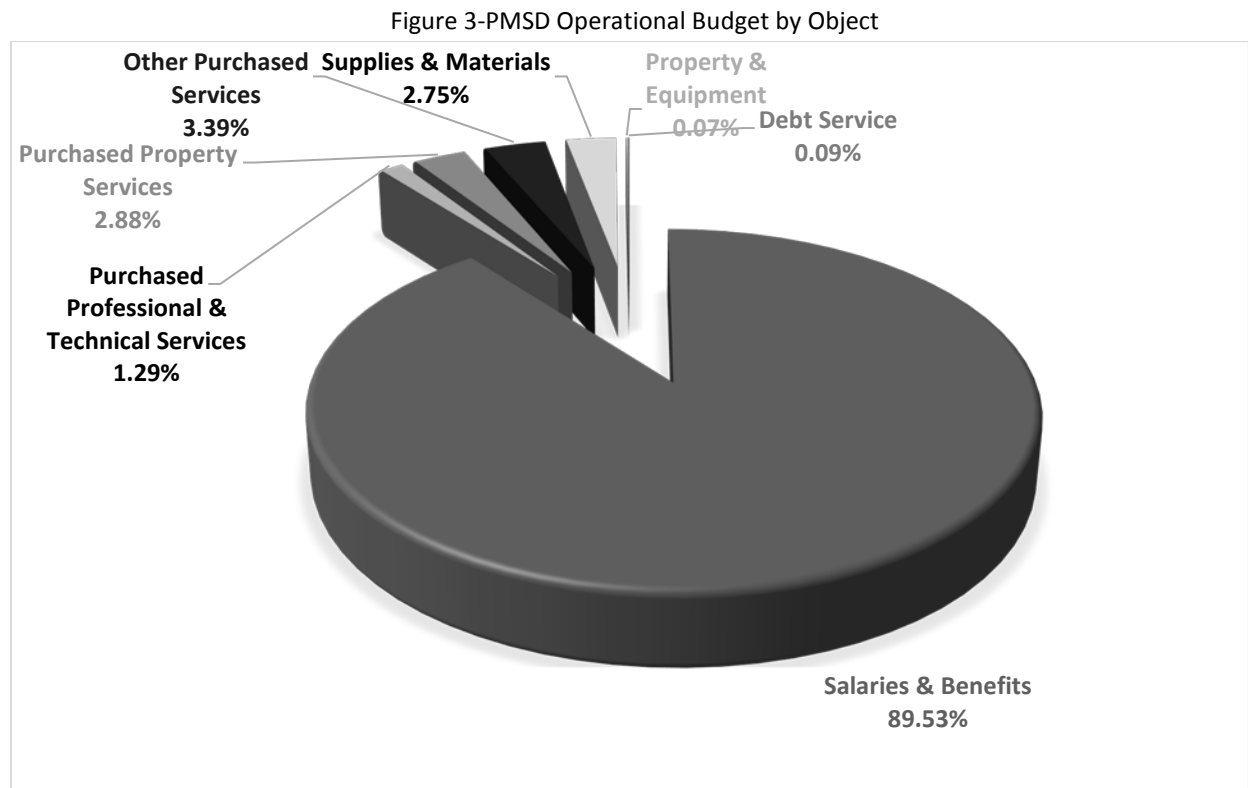
Debt Service Fund – The District operates one debt service fund that is used to account for the accumulation of resources for, and payment of, general long-term debt principal and interest payments.



Information about the 2017-18 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 2017-18 by object (see Figure 3).



History of Funding in PMSD

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

The 2017-18 budget was built on the \$4,053.55 initial unit value which had increased from the prior year. The unit value was increased in April, and again in June to a final \$4,115.60. This resulted in an increase of SEG to the District of \$325,879.58.



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
 For the Fiscal Year Ending June 30, 2018



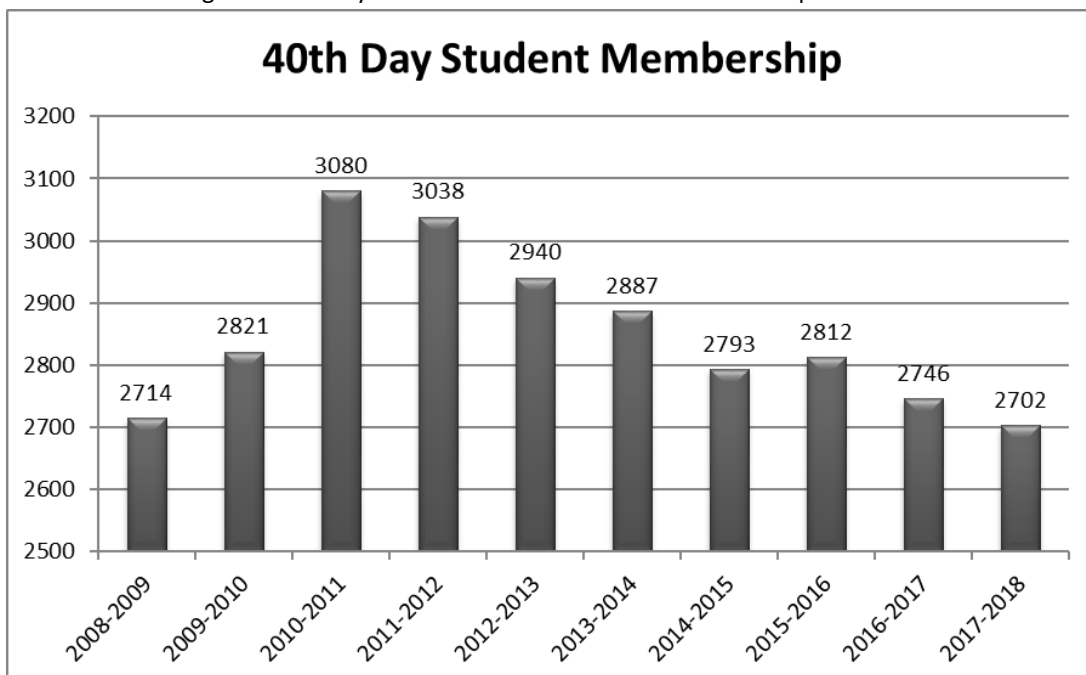
Table 6-History of the Unit Value in New Mexico

History of the Unit Value in New Mexico			
School Year	Initial Unit Value	Final Unit Value	
2008-2009	\$3,892.47	\$3,871.79	
2009-2010	^{1,2} \$3,862.79	\$3,792.65	
2010-2011	^{3,4} \$3,814.04	\$3,712.17	
2011-2012	\$3,585.97	\$3,598.87	
2012-2013	\$3,668.18	\$3,673.54	
2013-2014	\$3,817.55	\$4,005.75	
2014-2015	\$4,005.75	\$4,007.75	
2015-2016	\$4,027.75	\$4,037.75	
2016-2017	\$4,040.24	\$3,979.63	
2017-2018	\$4,053.55	\$4,115.60	

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 2017-18. 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, 2018



Our main goal in our budget committee meetings has been to meet student needs through proper staffing assignments throughout the District since we are seeing a drop in student enrollment. We have been able to meet this goal in the past, but if the student count continues to decrease, we will need to eliminate some positions through attrition. 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 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. The 2017 finding was fixed and professional development opportunities were done to educate the staff.

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
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
2017	Unqualified	1	11/15/2018	11/15/2018	0

Board Elections and Capital Program Sales and Elections

As shown in Table 7, PMSD had an Educational Technology Bond sale in the 2017 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. We also successfully passed the 2017 Senate Bill Nine Mil Levy.



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2018



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 2017-18. We celebrate the improvements in our financial audit performance over the last seven 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 2017-18 audit enables us to reach for our potential in supporting the PMSD Board and administrative staff in their efforts to make PMSD the best District in the state.

The PMSD community is experiencing the paradox between shrinking state and federal revenues and increasing expenditures to support student membership and expanding numbers of special education students and English Language Learners. The paradox is complicated further by burgeoning poverty rates resulting in expanding costs to support student health and wellness needs. In this socio-economic confusion we are challenged to increase student literacy and graduation rates. It is accurate to state that the PMSD administration and Board found a way to sustain our commitment to the classroom in the 2017-18 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.



PORTALES MUNICIPAL SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2018



Contacting the Portales Municipal School District

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

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**STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
STATEMENT OF NET POSITION
June 30, 2018**

	<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 4,442,452
Due from other governments	756,686
Property Taxes Receivable	229,815
Inventory	16,265
Total Current Assets	<u>5,445,218</u>
Non-current Assets:	
Restricted Investments	3,723,743
Capital assets, Net	42,218,093
Total Non-current Assets	<u>45,941,836</u>
TOTAL ASSETS	<u>51,387,054</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from pensions	16,078,157
Deferred outflows from OPEB	297,407
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 67,762,618</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 93,350
Accrued Payroll	733,084
Accrued Interest Payable	74,182
Compensated Absences	81,043
Debt due within one year	1,125,000
Total Current Liabilities	<u>2,106,659</u>
Non-current Liabilities:	
Net Pension Liability	59,275,905
OPEB Liability	16,034,419
Debt due in more than one year	10,040,000
Total Non-current Liabilities	<u>85,350,324</u>
TOTAL LIABILITIES	<u>87,456,983</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pensions	2,087,475
Deferred inflows from OPEB	3,649,396
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>93,193,854</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	31,053,093
Restricted for:	
Debt Service	687,302
Bond Building	3,010,094
Senate Bill Nine	1,269,667
Athletics	205
Cafeteria	809,519
Instructional Materials	70,731
Unrestricted	(62,331,847)
TOTAL NET POSITION	<u>(25,431,236)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 67,762,618</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, 2018

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	\$ 19,393,083	\$ 82,186	\$ 1,809,305	\$ -	\$ (17,501,592)
Support Services					
Support Services-Students	3,708,041	-	720,395	-	(2,987,646)
Support Services-Instruction	308,682	-	8,990	-	(299,692)
Support Services-General Administration	785,302	-	64,252	-	(721,050)
Support Services-School Administration	2,318,769	-	326,334	-	(1,992,435)
Central Services	858,734	-	3,347	-	(855,387)
Operation & Maintenance of Plant	3,348,069	-	-	177,996	(3,170,073)
Student Transportation	1,072,954	-	1,072,954	-	-
Food Services-Operations	1,728,183	122,241	1,395,138	-	(210,804)
Community Services-Operations	-	-	-	-	-
Other Support Services	-	-	-	-	-
Bond Interest Paid	190,155	-	-	-	(190,155)
Bond Issuance Cost	-	-	-	-	-
Depreciation-Unallocated	2,000,898	-	-	-	(2,000,898)
Amortization-Unallocated	-	-	-	-	-
Total governmental activities	\$ 35,712,870	\$ 204,427	\$ 5,400,715	\$ 177,996	\$ (29,929,732)
General Revenues:					
Property Taxes:					
Levied for General Purposes					127,090
Levied for Debt Service					1,934,880
Levied for Capital Projects					534,492
State Equalization Guarantee					21,128,950
Federal Sources					231,809
Interest Earnings					46,044
Refunds					11,276
Gain/Loss on Sale of PP&E					14,879
Miscellaneous					59,703
			Total general revenues		<u>24,089,123</u>
			Change in net position		(5,840,609)
			Net position - beginning		<u>3,009,667</u>
			Restatement		<u>(22,600,294)</u>
			Restated Balance		(19,590,627)
			Net position - ending		<u>\$ (25,431,236)</u>

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

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

BALANCE SHEET-- GOVERNMENTAL FUNDS

June 30, 2018

	GENERAL	TITLE I	IDEA B ENTITLEMENT
ASSETS			
Cash on Deposit	\$ 1,731,278	\$ 25,510	\$ 16,987
Investments	-	-	-
Due from Other Funds	661,989	-	-
Due from Other Agencies	-	228,469	258,757
Property Tax Receivable	10,711	-	-
Inventory	-	-	-
TOTAL ASSETS	\$ 2,403,978	\$ 253,979	\$ 275,744
LIABILITIES AND FUND BALANCE			
Accounts Payable	\$ 41,534	\$ 546	\$ 768
Accrued Payroll	638,934	25,510	16,987
Inter Agency Payable	-	-	-
Due to Other Funds	-	227,923	257,989
TOTAL LIABILITIES	680,468	253,979	275,744
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	6,770	-	-
Unearned Revenue	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	6,770	-	-
FUND BALANCE			
Nonspendable	-	-	-
Restricted:			
Transportation	-	-	-
Instructional Materials	70,731	-	-
Capital projects Funds	-	-	-
Debt Service	-	-	-
Cafeteria	-	-	-
Athletics	-	-	-
Special Revenue Funds	-	-	-
Committed for			
Subsequent year's expenditures	1,646,009	-	-
Unassigned	-	-	-
TOTAL FUND BALANCE	1,716,740	-	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 2,403,978	\$ 253,979	\$ 275,744

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

BOND BUILDING	SENATE BILL NINE - LOCAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 3,000	\$ 1,162,458	\$ 1,793,477	\$ 4,732,710
3,007,094	-	426,391	3,433,485
-	93,383	-	755,372
-	-	269,460	756,686
-	44,168	174,936	229,815
-	-	16,265	16,265
<u>\$ 3,010,094</u>	<u>\$ 1,300,009</u>	<u>\$ 2,680,529</u>	<u>\$ 9,924,333</u>
\$ -	\$ 3,132	\$ 47,370	\$ 93,350
-	-	51,653	733,084
-	-	269,460	755,372
-	3,132	368,483	1,581,806
-	27,210	111,753	145,733
-	-	-	-
-	27,210	111,753	145,733
-	-	16,265	16,265
-	-	-	-
-	-	-	70,731
3,010,094	1,269,667	669,278	4,949,039
-	-	687,302	687,302
-	-	793,254	793,254
-	-	205	205
-	-	33,989	33,989
-	-	-	1,646,009
-	-	-	-
<u>3,010,094</u>	<u>1,269,667</u>	<u>2,200,293</u>	<u>8,196,794</u>
<u>\$ 3,010,094</u>	<u>\$ 1,300,009</u>	<u>\$ 2,680,529</u>	<u>\$ 9,924,333</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, 2018

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

Fund balances - total governmental funds	\$ 8,196,794
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	42,218,093
Compensated absences	(81,043)
Property taxes receivable not available for current year expenditures and therefore are deferred in the funds	145,733
Net Pension Liability not reported in the funds	(59,275,905)
OPEB Liability not reported in the funds	(16,034,419)
Deferred outflows of resources related to pensions not reported in the funds	16,078,157
Deferred outflows of resources related to OPEB not reported in the funds	297,407
Deferred inflows of resources related to pension not reported in the funds	(2,087,475)
Deferred inflows of resources related to OPEB not reported in the funds	(3,649,396)
Accrued Interest Payable not reported in funds	(74,182)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(11,165,000)
Net position of governmental activities	<u>\$ (25,431,236)</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, 2018

	General	TITLE I
REVENUE		
Federal Programs	\$ 68,540	\$ 886,746
State Programs	1,120,784	-
State Equalization	21,128,950	-
Interest Earnings	9,269	-
Private/Direct Grants	-	-
Charges for Services	26,707	-
Fees	-	-
Donations	250	-
Sale of Property	14,879	-
Miscellaneous	-	-
Indirect Cost	103,774	-
Rent and Royalties	150	-
Refunds of Prior Year's Expenditures	2,276	-
Sale of Bond Proceeds	-	-
Local Property Taxes	131,285	-
TOTAL REVENUES	22,606,864	886,746
EXPENDITURES		
Current		
Instruction	13,019,389	676,234
Support Services		
Support Services-Students	2,115,572	893
Support Services-Instruction	239,116	2,678
Support Services-General Administration	542,435	26,845
Support Services-School Administration	1,433,790	180,096
Central Services	671,111	-
Operation & Maintenance of Plant	2,252,444	-
Student Transportation	1,037,355	-
Food Services-Operations	-	-
Acquisition & Construction	-	-
Debt Service		
Principal	-	-
Interest	-	-
TOTAL EXPENDITURES	21,311,212	886,746
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	1,295,652	-
Other Financing Sources (uses)		
Refunds to PED	-	-
Transfers In/Out	-	-
Total Other Financial Sources	-	-
Net Change In Fund Balance	1,295,652	-
FUND BALANCE		
as of June 30, 2017	421,088	-
Restatement	-	-
Restated Balance	421,088	-
FUND BALANCE as of June 30, 2018	\$ 1,716,740	\$ -

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

IDEA B ENTITLEMENT	BOND BUILDING	SENATE BILL NINE - LOCAL	Other Governmental Funds	Total Governmental
\$ 719,295	\$ -	\$ -	\$ 1,984,340	\$ 3,658,921
-	-	-	854,400	1,975,184
-	-	-	-	21,128,950
-	22,309	4,899	9,567	46,044
-	-	-	36,000	36,000
-	-	-	-	26,707
-	-	-	214,111	214,111
-	-	-	-	250
-	-	-	-	14,879
-	-	57,979	1,574	59,553
-	-	-	-	103,774
-	-	-	-	150
-	3,500	5,500	-	11,276
-	1,711,196	-	391,375	2,102,571
-	-	551,602	2,004,087	2,686,974
<u>719,295</u>	<u>1,737,005</u>	<u>619,980</u>	<u>5,495,454</u>	<u>32,065,344</u>
251,765	-	-	891,141	14,838,529
286,360	-	-	433,142	2,835,967
-	-	-	3,812	245,606
22,601	-	5,504	34,862	632,247
142,969	-	-	3,269	1,760,124
-	-	-	3,347	674,458
-	-	-	-	2,252,444
15,600	-	-	19,999	1,072,954
-	-	-	1,521,739	1,521,739
-	1,568,433	939,286	587,099	3,094,818
-	-	-	1,690,000	1,690,000
-	-	-	195,896	195,896
<u>719,295</u>	<u>1,568,433</u>	<u>944,790</u>	<u>5,384,306</u>	<u>30,814,782</u>
-	168,572	(324,810)	111,148	1,250,562
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	168,572	(324,810)	111,148	1,250,562
-	1,049,574	1,594,477	1,829,706	4,894,845
-	1,791,948	-	259,439	2,051,387
-	2,841,522	1,594,477	2,089,145	6,946,232
<u>\$ -</u>	<u>\$ 3,010,094</u>	<u>\$ 1,269,667</u>	<u>\$ 2,200,293</u>	<u>\$ 8,196,794</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, 2018

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

Net change in fund balance - total governmental funds	\$ 1,250,562
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.	331,219
Bond Proceeds	(2,102,571)
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.	(90,511)
Change in unavailable grant revenue	-
(Increase)/Decrease in pension expense from the difference in allocated pension expense less the District's actual pension contributions.	(6,584,936)
(Increase)/Decrease in OPEB expense from the difference in allocated pension expense less the District's actual OPEB contributions.	(340,068)
Expenses in the statement of activities which do not require use of current financial resources	
Decrease in interest Payable	5,741
Increase in compensated absences	(45)
Bond Principal	1,690,000
	<hr/>
Change in Net Position	<u>\$ (5,840,609)</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, 2018

	General Fund			VARIANCE
	ORIGINAL BUDGET	BUDGET	ACTUAL	Favorable (Unfavorable)
REVENUE				
Residential/Non-Residential Taxes	\$ 128,815	\$ 128,815	\$ 128,284	\$ (531)
Fees-Users	20,000	23,951	26,707	2,756
Donations/Gifts	400	400	250	(150)
Interest Income	3,900	8,861	9,269	408
State Equalization	20,803,071	21,127,548	21,128,950	1,402
State Flow Through Grants	1,113,372	1,120,784	1,120,784	-
Impact Aid	7,500	7,500	6,638	(862)
Rent	-	150	150	-
Sale of Property/Equipment	5,000	14,880	14,879	(1)
Access Board	72,950	72,950	61,901	(11,049)
Refunds	560	2,276	2,276	-
Indirect Cost - (Flow Through Grants)	115,850	115,850	103,774	(12,076)
Insurance Recoveries	-	-	-	-
TOTAL REVENUE	<u>22,271,418</u>	<u>22,623,965</u>	<u>\$ 22,603,862</u>	<u>\$ (20,103)</u>
Cash Balance Budgeted	<u>414,518</u>	<u>550,237</u>		
TOTAL REVENUE & CASH	<u>\$ 22,685,936</u>	<u>\$ 23,174,202</u>		
EXPENDITURES				
Current				
Instruction	\$ 13,819,175	\$ 14,063,529	\$ 13,025,281	\$ 1,038,248
Support Services				
Support Services-Students	2,235,788	2,327,664	2,104,340	223,324
Support Services-Instruction	247,095	267,618	239,116	28,502
Support Services-General Administration	622,726	647,457	549,002	98,455
Support Services-School Administration	1,420,474	1,461,676	1,433,995	27,681
Central Services	670,388	748,615	694,282	54,333
Operation & Maintenance of Plant	2,613,992	2,601,345	2,316,395	284,950
Student Transportation	1,037,355	1,037,355	1,037,355	-
Other Support Services	18,943	18,943	-	18,943
TOTAL EXPENDITURES	<u>\$ 22,685,936</u>	<u>\$ 23,174,202</u>	<u>\$ 21,399,766</u>	<u>\$ 1,774,436</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 22,603,862
Differences-Budget to GAAP	
Prior Year Taxes Receivable	(11,904)
Current Year Taxes Receivable	10,711
Current Year Deferral	(6,770)
Prior Year Deferral	10,965
Total Revenues (GAAP Basis)	<u>\$ 22,606,864</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 21,399,766
Differences-budget to GAAP	
Current Year Payable	41,534
Prior Year Payable	(130,088)
Total Expenditures (GAAP Basis)	<u>\$ 21,311,212</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--TITLE I

Year Ended June 30, 2018

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ 995,335	982,860	\$ 684,186	\$ (298,674)
TOTAL REVENUE	<u>995,335</u>	<u>982,860</u>	<u>\$ 684,186</u>	<u>\$ (298,674)</u>
Cash Balance Budgeted	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 995,335</u>	<u>\$ 982,860</u>		
EXPENDITURES				
Current				
Instruction	\$ 776,084	\$ 763,609	\$ 676,234	\$ 87,375
Support Services				
Support Services-Students	500	430	347	83
Support Services-Instruction	2,670	2,740	2,678	62
Support Services-General Administration	30,115	26,845	26,845	-
Support Services-School Administration	185,966	189,236	181,497	7,739
TOTAL EXPENDITURES	<u>\$ 995,335</u>	<u>\$ 982,860</u>	<u>\$ 887,601</u>	<u>\$ 95,259</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 684,186
Differences-Budget to GAAP	
Current Year Receivable	228,469
Prior Year Receivable	(25,909)
Total Revenues (GAAP Basis)	<u>\$ 886,746</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 887,601
Differences-budget to GAAP	
Current Year Payable	546
Prior Year Payable	(1,401)
Total Expenditures (GAAP Basis)	<u>\$ 886,746</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, 2018

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ 1,004,824	\$ 929,692	\$ 855,524	\$ (74,168)
TOTAL REVENUE	<u>1,004,824</u>	<u>929,692</u>	<u>\$ 855,524</u>	<u>\$ (74,168)</u>
Cash Balance Budgeted	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 1,004,824</u>	<u>\$ 929,692</u>		
EXPENDITURES				
Current				
Instruction	\$ 477,100	\$ 426,254	\$ 268,065	\$ 158,189
Support Services				
Support Services-Students	355,237	308,796	286,360	22,436
Support Services-Instruction	-	-	-	-
Support Services-General Administration	31,350	30,564	22,601	7,963
Support Services-School Administration	126,137	148,477	142,969	5,508
Student Transportation	15,000	15,601	15,600	1
TOTAL EXPENDITURES	<u>\$ 1,004,824</u>	<u>\$ 929,692</u>	<u>\$ 735,595</u>	<u>\$ 194,097</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 855,524
Differences-Budget to GAAP	
Current Year Receivable	258,757
Prior Year Receivable	(394,986)
Total Revenues (GAAP Basis)	<u>\$ 719,295</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 735,595
Differences-budget to GAAP	
Current Year Payable	768
Prior Year Payable	(17,068)
Total Expenditures (GAAP Basis)	<u>\$ 719,295</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, 2018

ASSETS	
Cash on Deposit	\$ 489,627
Capital assets (net)	<u>63,897</u>
TOTAL ASSETS	<u><u>\$ 553,524</u></u>
LIABILITIES	
Due to Student Groups	\$ 553,524
TOTAL LIABILITIES	<u><u>\$ 553,524</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, 2018**

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, 2018**

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.

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

Entitlement IDEA-B 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.

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, 2018**

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, 2018**

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 2018 fiscal year was \$276,867,643. 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, 2018**

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 OPEB 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 OPEB 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.

**STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2018**

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, 2018**

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 \$21,128,950 in state equalization guarantee distributions during the year ended June 30, 2018.

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 \$1,037,355 in transportation distributions during the year ended June 30, 2018.

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 \$2,596,462 in tax revenues during the year ended June 30, 2018. 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.

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 Plan (ERP) and additions to/deductions from ERP's fiduciary net position have been determined on the same basis as they are reported by ERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

15. Other Post-employment Benefits (OPEB)

Postemployment Benefits Other Than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments 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.

**STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2018**

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

A. Budgetary Information (continued)

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.
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, 2018 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, 2018.

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, 2018, 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, 2018**

NOTE 3: DEPOSITS AND INVESTMENTS (continued)

As of June 30, 2018, \$5,024,353 of the District's bank balances were exposed to custodial credit risk as follows:

Insured (FDIC)	\$ 274,328
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the District's name	3,141,737
Uninsured and uncollateralized	<u>1,608,288</u>
Balance exposed to custodial credit risk	<u>\$ 5,024,353</u>
Total bank balances	<u>\$ 5,024,353</u>
Carrying Amount	<u>\$ 4,198,998</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, 2018, the New MexiGROW Local Government Investment Pool was rated at AAAM and had a 50-day WAM(R) and 100-day WAM(F). The District had \$1,199 invested in the New MexiGROW Local Government Investment Pool at June 30, 2018.

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.

The amount held at the New Mexico Finance Authority totaling \$3,723,742 is collateralized within the NMFA guidelines. The information is not available by individual Agency but the financial statements for the NMFA are available by writing to the New Mexico Finance Authority, 207 Shelby Street, Santa Fe, NM 87501

**STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS
 Notes to the Financial Statements
 June 30, 2018**

NOTE 3: DEPOSITS AND INVESTMENTS (continued)

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	\$ 4,198,998
Amounts included in agency funds	(489,627)
Amounts held with New Mexico Finance Authority	3,723,742
Checks Held for payroll related expenses	733,082
Total	<u>\$ 8,166,195</u>
Included in the following balance sheet captions:	
Cash and cash equivalents	<u>\$ 8,166,195</u>

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, 2018 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.

**STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2018**

NOTE 4: RECEIVABLES

Receivables as of June 30, 2018 for the government's individual major funds and non-major funds in the aggregate, include the following:

	General	Title I	IDEA - B Entitlement	SB - 9 Local	Debt Service	Other	Total
Receivables:							
Property taxes	\$ 10,711	\$ -	\$ -	\$ 44,168	\$ 174,969	\$ -	\$ 229,848
Due from other Govts	-	228,469	258,757	-	-	269,460	756,686
Total	<u>\$ 10,711</u>	<u>\$ 228,469</u>	<u>\$ 258,757</u>	<u>\$ 44,168</u>	<u>\$ 174,969</u>	<u>\$ 269,460</u>	<u>\$ 986,534</u>

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, 2018 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I	\$ 227,923
General Fund	IDEA-B Entitlement	257,989
General Fund	Title I - Migrant	5,092
General Fund	IDEA-B PreSchool	4,121
General Fund	IDEA-B Early Intervention	22,513
General Fund	English Language Acquisition	11,966
General Fund	Teacher/Principal Training	29,723
General Fund	Rural & Low-Income Schools	22,934
General Fund	USHHA/CDC School Health	2,443
General Fund	Student Support Academic Achievement	5,023
General Fund	2009 Dual Credit Instructional Materials	3,842
General Fund	GO Bonds 2012	1,636
General Fund	New Mexico Reads to Lead	1,119
General Fund	Recruitment Support	3,347
General Fund	Pre-K Initiative	60,947
General Fund	Breakfast for Elementary Students	1,371
Senate Bill - 9 Local	Senate Bill - 9 State	93,383
Total		<u>\$ 755,372</u>

**STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2018**

NOTE 6: CAPITAL ASSETS

Capital asset, net of accumulated depreciation, at June 30, 2018 appear in the Statement of Net Position as follows:

GOVERNMENTAL ACTIVITIES	BALANCE JUNE				BALANCE JUNE
	30, 2017	ADJUSTMENTS	ADDITIONS	RETIREMENTS	30, 2018
CAPITAL ASSETS NOT BEING DEPRECIATED					
LAND	\$ 787,173	\$ -	\$ -	\$ -	\$ 787,173
CONSTRUCTION IN PROGRESS	-	-	188,227	-	188,227
TOTAL ASSETS NOT BEING DEPRECIATED	787,173	-	188,227	-	975,400
CAPITAL ASSETS BEING DEPRECIATED					
BUILDINGS AND IMPROVEMENTS	59,715,645	(52,197)	1,951,884	-	61,615,332
EQUIPMENT AND VEHICLES	6,774,552	3,629	192,006	164,915	6,805,272
TOTAL ASSETS BEING DEPRECIATED	66,490,197	(48,568)	2,143,890	164,915	68,420,604
LESS: ACCUMULATED DEPRECIATION					
BUILDINGS AND IMPROVEMENTS	20,472,674	(40,339)	1,675,123	-	22,107,458
EQUIPMENT AND VEHICLES	4,819,974	89,619	325,775	164,915	5,070,453
TOTAL ACCUMULATED DEPRECIATION	25,292,648	49,280	2,000,898	164,915	27,177,911
TOTAL NET CAPITAL ASSETS	<u>\$ 41,984,722</u>	<u>\$ (97,848)</u>	<u>\$ 331,219</u>	<u>\$ -</u>	<u>\$ 42,218,093</u>

Depreciation expense for the year ended June 30, 2018 was charged to the following functions:

Governmental Activities	Amount
Instruction	\$ 1,088,084
Support Services - Student	198,335
Support Services - Instruction	36,360
General Administration	46,088
School Administration	125,328
Central Services	51,991
Operation and Maintenance of Plant	247,950
Transportation	70,525
Other Support Services	1,118
Food Services	135,119
Total	<u>\$ 2,000,898</u>

**STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2018**

NOTE 6: CAPITAL ASSETS (continued)

Capital assets, net of accumulated depreciation, at June 30, 2018 appear in the Statement of Fiduciary Assets and Liabilities as follows:

AGENCY ACTIVITIES	BALANCE JUNE				BALANCE JUNE
	30, 2017	ADJUSTMENTS	ADDITIONS	RETIREMENTS	30, 2018
CAPITAL ASSETS BEING DEPRECIATED					
BUILDINGS AND IMPROVEMENTS	\$ 6,982	\$ -	\$ -	\$ -	\$ 6,982
EQUIPMENT AND VEHICLES	222,124	(3,629)	-	7,536	210,959
TOTAL ASSETS BEING DEPRECIATED	229,106	(3,629)	-	7,536	217,941
LESS: ACCUMULATED DEPRECIATION					
BUILDINGS AND IMPROVEMENTS	1,093	-	280	-	1,373
EQUIPMENT AND VEHICLES	130,103	5,930	24,174	7,536	152,671
TOTAL ACCUMULATED DEPRECIATION	131,196	5,930	24,454	7,536	154,044
TOTAL NET CAPITAL ASSETS	<u>\$ 97,910</u>	<u>\$ (9,559)</u>	<u>\$ (24,454)</u>	<u>\$ -</u>	<u>\$ 63,897</u>

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, 2018 are comprised of the following:

SERIES	ORIGINAL AMOUNT	INTEREST RATES	BEGINNING BALANCE	PAYMENTS	RECEIPTS	ENDING BALANCE	AMOUNT DUE IN ONE YEAR
<u>G.O.</u>							
2010	\$ 1,900,000	3.00%-3.125%	\$ 900,000	\$ 900,000	\$ -	\$ -	\$ -
2011	1,400,000	2.00%-3.00%	1,200,000	500,000	-	700,000	700,000
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	-
2017	1,500,000	.10%-1.982%	-	-	1,500,000	1,500,000	10,000
2018	2,000,000	1.503%-2.820%	-	-	2,000,000	2,000,000	-
<u>ED TECH</u>							
2013	450,000	2.30%	180,000	90,000	-	90,000	90,000
2014 Taxable	325,000	.37%-2.031%	175,950	54,000	-	121,950	121,950
2014 Tax Exempt	275,000	.9237%-1.6437%	149,050	46,000	-	103,050	103,050
2016	600,000	.859%-1.129%	600,000	100,000	-	500,000	100,000
2018	650,000	1.73%-3.107%	-	-	650,000	650,000	-
	<u>\$ 14,600,000</u>		<u>\$ 8,705,000</u>	<u>\$1,690,000</u>	<u>\$4,150,000</u>	<u>\$ 11,165,000</u>	<u>\$ 1,125,000</u>

**STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS
 Notes to the Financial Statements
 June 30, 2018**

NOTE 7: LONG – TERM DEBT – (continued)

The annual requirements to amortize the general obligation bonds as of June 30, 2018, including interest payments are as follows:

<u>Fiscal Year</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2019	\$ 1,125,000	\$ 206,551	\$ 1,331,551
2020	965,000	187,113	1,152,113
2021	1,170,000	169,020	1,339,020
2022	975,000	149,969	1,124,969
2023	765,000	134,095	899,095
2024-2028	4,335,000	390,243	4,725,243
2029-2031	1,830,000	30,492	1,860,492
	<u>\$ 11,165,000</u>	<u>\$ 1,267,483</u>	<u>\$ 12,432,483</u>

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 \$16,612,059 including \$11,165,000 debt outstanding based on the 2017 valuation.

Total interest expense on outstanding bonds for the year ended June 30, 2018 was \$190,155.

Changes in long-term liabilities – During the year ended June 30, 2018, the following changes occurred in liabilities reported in the general obligation bonds and compensated absences.

<u>Balance June 30, 2017</u>	<u>Vacation Used</u>	<u>Vacation Accrued</u>	<u>Balance June 30, 2018</u>	<u>Amount Due in One Year</u>
\$ 80,998	\$ 71,549	\$ 71,594	\$ 81,043	\$ 81,043

Compensated absences typically have been liquidated in the general and other governmental funds.

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 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.

**STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2018**

NOTE 8: RISK MANAGEMENT – (continued)

The NMPSIA provides property damage coverage at a maximum of \$500,000,000 for 2017-2018 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, 2018, 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 a pension trust fund of the State of New Mexico. 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. 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 in 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.

Pension Benefit – 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:

- 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

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NOTE 9: EMPLOYEE RETIREMENT PLAN (continued)

- 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.

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NOTE 9: EMPLOYEE RETIREMENT 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 1.5%. 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 1.7%.

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 years ended June 30, 2018 and 2017 educational employers contributed to the Plan based on the following rate schedule.

<u>Fiscal Year</u>	<u>Date Range</u>	<u>Wage Category</u>	<u>Member Rate</u>	<u>Employer Rate</u>	<u>Combined Rate</u>	<u>Increase Over Prior Year</u>
2018	7-1-17 to 6-30-	Over \$20K	10.70%	13.90%	24.60%	0.00%
2018	7-1-17 to 6-30-	\$20K or less	7.90%	13.90%	21.80%	0.00%
2017	7-1-16 to 6-30-	Over \$20K	10.70%	13.90%	24.60%	0.00%
2017	7-1-16 to 6-30-	\$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, 2018 and 2017, the District paid employee and employer contributions of \$3,619,584 and \$4,505,958, which equal the amount of the required contributions for each fiscal year.

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NOTE 9: EMPLOYEE RETIREMENT PLAN (continued)

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

At June 30, 2018, the District reported a liability of \$59,275,905 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. 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, 2017, the District's proportion was 0.53337 %, which was an increase/decrease of 0.01548% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$6,584,936. At June 30, 2018, District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 106,406	\$ 913,201
Changes of assumptions	17,303,802	-
Net difference between projected and actual earnings on pension plan	-	8,131
Changes in proportion and differences between contributions and proportionate share of contributions	60,862	1,166,143
Employer contributions subsequent to the measurement date	2,067,152	-
Restatement of prior deferred outflows	(3,460,065)	-
Total	<u>\$ 16,078,157</u>	<u>\$ 2,087,475</u>

\$16,078,157 reported as deferred outflows of resources related to pensions resulting from employer's name'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	\$ 5,812,023
2019	\$ 6,217,426
2020	\$ 3,842,237
2021	\$ (488,092)

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NOTE 9: EMPLOYEE RETIREMENT PLAN (continued)

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%										
Salary increases	3.25% composed of 2.50% 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	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.										
Average of Expected Remaining Service Lives	<table border="0" style="margin-left: 40px;"> <tr> <td style="text-align: right;">Fiscal year</td> <td style="text-align: center;"><u>2017</u></td> <td style="text-align: center;"><u>2016</u></td> <td style="text-align: center;"><u>2015</u></td> <td style="text-align: center;"><u>2014</u></td> </tr> <tr> <td style="text-align: right;">Service life in years</td> <td style="text-align: center;">3.35</td> <td style="text-align: center;">3.77</td> <td style="text-align: center;">3.92</td> <td style="text-align: center;">3.88</td> </tr> </table>	Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	Service life in years	3.35	3.77	3.92	3.88
Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>							
Service life in years	3.35	3.77	3.92	3.88							
Mortality	<p>Healthy males: Based on the RP-2000 Combined Healthy Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table's base year of 2000.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>										
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.										
Cost-of-living increases	1.90% per year, compounded annually.										
Payroll growth	3.00% per year (with no allowance for membership growth).										
Contribution accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.										
Disability incidence	Approved rates are applied to eligible members with at least 10 years of service.										

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 PORTALES MUNICIPAL SCHOOLS
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NOTE 9: EMPLOYEE RETIREMENT PLAN (continued)

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 April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted several economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

The long-term expected rate of return on pension plan investments was determined using a building-block approach that includes the following:

- Rate of return projections that are the sum of current yield plus projected changes in price (valuations, defaults, etc.)
- Application of key economic projections (inflation, real growth, dividends, etc.)
- Structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equities	33%	
Fixed income	26	
Alternatives	40	
Cash	1	
Total	<u>100%</u>	<u>7.25%</u>

Discount rate. A single discount rate of 5.9% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.56%, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2053. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2053 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

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.

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NOTE 9: EMPLOYEE RETIREMENT PLAN (continued)

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 5.90 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 (4.90 percent) or 1-percentage-point higher (6.90 percent) than the current rate:

	1% Decrease (4.90%)	Current Discount Rate (5.90%)	1% Increase (6.90%)
District's proportionate share of the net pension liability	\$ 77,162,488	\$ 59,527,905	\$ 44,655,080

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.

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

General Information about the OPEB

Plan description. Employees of the District are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

Benefits provided. The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

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

Employees covered by benefit terms – At June 30, 2017, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	<u>97,349</u>
	<u>160,035</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<u>97,349</u>

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the District were \$297,407 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported a liability of \$16,034,419 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the District's proportion was 0.35383 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$340,070. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ -	\$ 615,316
Changes of assumptions	-	2,803,414
Differences between actual and projected earnings on OPEB plan investments	-	230,666
Contributions made after the measurement date	<u>297,407</u>	<u>-</u>
Total	<u>\$ 297,407</u>	<u>\$ 3,649,396</u>

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 PORTALES MUNICIPAL SCHOOLS
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NOTE 10: POST-EMPLOYMENT BENEFITS-STATE RETIREE HEALTH CARE PLAN – (continued)

Deferred outflows of resources totaling \$297,407 represent District contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ (775,887)
2020	(775,887)
2021	(775,887)
2022	(775,887)
2023	(545,848)
Total	<u>\$ (3,649,396)</u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non- Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

Rate of Return. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

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

The best estimates for the long-term expected rate of return is summarized as follows:

Asset Class	Long-Term Rate of Return
U.S. core fixed income	4.1%
U.S. equity - large cap	9.1
Non U.S. - emerging markets	12.2
Non U.S. - developed equities	9.8
Private equity	13.8
Credit and structured finance	7.3
Real estate	6.9
Absolute return	6.1
U.S. equity - small/mid cap	9.1

Discount Rate. The discount rate used to measure the Fund's total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

1% Decrease (2.81%)	Current Discount (3.81%)	1% Increase (4.81%)
\$ 19,449,500	\$ 16,034,419	\$ 13,354,980

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Current Trend Rates	1% Increase
\$ 13,638,377	\$ 16,034,419	\$ 17,902,739

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2017.

Payable Changes in the Net OPEB Liability. At June 30, 2018, the District had no liability for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

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PORTALES MUNICIPAL SCHOOLS
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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.

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

NOTE 12: OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures 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, 2018, 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.

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PORTALES MUNICIPAL SCHOOLS
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June 30, 2018**

NOTE 13: JOINT POWERS AGREEMENTS (continued)

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 contributed 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 District will own an undivided tenancy-in-common interest in the Stadium in a percentage corresponding to a fraction of the numerator of which is \$1 million and the denominator of which is the total construction cost of the stadium. The District's interest will be conveyed by quitclaim deed and will be subject to a tenancy-in-common agreement.

City of Portales and the Portales Police Department and the District are in agreement, as of May 12, 2014, to provide law enforcement and related services to the public schools. In addition, a School Resource Officer program will be initiated. The School Resource Officer shall act as an instructor for specialized short-term programs. The School Resource Officer shall remain 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

Fund Balance Restatement

The beginning Fund Balance in the Bond Building Fund was restated by \$1,791,948 to record prior period transactions managed by NMFA. The restatement consists of \$25,452 in interest earnings, \$3,500,000 in bond proceeds, and \$1,733,505 in capital asset acquisition. These transactions were made on behalf of the District by NMFA, but not reported to the District for the 2016-2017 fiscal year in time for financial reporting.

**STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS
 Notes to the Financial Statements
 June 30, 2018**

NOTE 14: RESTATEMENT OF FUND BALANCE AND NET POSITION (continued)

Fund Balance Restatement (continued)

The beginning Fund Balance in the Ed Tech Equipment Act fund was restated by \$259,439 to record prior period transactions managed by NMFA. The restatement consists of \$258,625 in bond proceeds and \$814 in interest earnings. These transactions were made on behalf of the District by NMFA, but not reported to the District for the 2016-2017 fiscal year in time for financial reporting.

The summaries of the restatements are as follow:

June 30, 2017 Fund balance Ed Tech Equipment Act	\$ 422,440
Restatement: To record prior year transactions from NMFA	259,439
July 1, 2017 Fund Balance – Ed Tech Equipment Act	<u>\$ 681,879</u>
June 30, 2017 Fund Balance Bond Building	\$ 1,049,574
Restatement: To record prior year transactions from NMFA	1,791,948
July 1, 2017 Fund Balance Bond Building	<u>\$ 2,841,522</u>

Net Position Restatement

The Net Position of the government-wide financial statements was also restated for the \$1,791,948 in Bond Building and the \$259,439 in Ed Tech Equipment Act. There is an additional decrease to net position due to unrecorded bonds payable of \$2,047,429 related to the Ed Tech and Bond Building transactions. A restatement decreasing net position \$19,046,340 was made in recording the initial liability related to OPEB. A restatement of \$97,848 was made to correct net capital assets. A restatement of \$3,460,063 was made to correct an understatement of the Net Pension Liability.

June 30, 2017 Net Position	\$ 3,009,667
Restatement: To record prior year transactions for Ed Tech	259,439
Restatement: To record prior year transactions for Bond Building	1,791,948
Restatement: To record unrecorded bonds related to Ed Tech and Bond Building	-2,047,430
Restatement: To correct prior year balances in capital assets	-97,848
Restatement: To correct understatement of Net Pension Liability	-3,460,063
Restatement: To record the initial liability related to OPEB	<u>-19,046,340</u>
July 1, 2017 Net Position	<u>\$ -19,590,627</u>

**STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2018**

NOTE 15: SUBSEQUENT PRONOUNCEMENTS

In May 2017, GASB issued Government Accounting Standards Board Statement No. 90, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization. The provisions of this pronouncement are effective for reporting periods beginning after December 15, 2018. The pronouncement is expect to have little to no effect on the District in upcoming years.

In November 2016, GASB issued Government Accounting Standards Board Statement No. 83, Certain Asset Retirement Obligations, to address accounting and financial reporting for certain asset retirement obligations. The provisions of this pronouncement are effective for reporting periods beginning after June 15, 2018. In January 2017, GASB issued Government Accounting Standards Board Statement No. 84, Fiduciary Activities, to improve guidance regarding the identification of fiduciary activities for accounting and fiancial reporting purposes and how those activities should be reported. The provisions of this pronouncement are effective for reporting periods beginning after Decembe 15, 2018. In June 2017, GASB issued Government Accounting Standards Board Statement No. 87, Leases, to provide guidance on accounting and financial reporting for leases by governments. The provisions of this pronouncement are effective for reporting periods beginning after December 15, 2019. In April 2018, GASB issued Government Accounting Standards Board Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, to improve the information that is disclosed in notes to government financial statements related to debt. The provisions of this pronouncement are effective for reporting periods beginning after June 15, 2018. In June 2018, GASB issued Government Accounting Standards Board Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) simplify accounting for interest cost incurred before the end of a construction period. The provisions of this pronouncement are effective for reporting periods beginning after December 15, 2019. The District is evaluating the effects on the financial statements of these pronouncements.

NOTE 16: CITY OF PORTALES TAX ABATEMENT

The City of Portales entered into an 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 \$33,392 of the District's portion of abated property tax.

NOTE 17: SUBSEQUENT EVENTS

Management review

The date to which events occurring after June 30, 2018, the date of the most recent Statement of Net Position, have been evaluated for possible adjustment to the financial statements and disclosures is November 12, 2018 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, 2018

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.

Food Service – 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.

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

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.

IDEA B – EARLY INTERVENTION – To account for a federal grant restricted to the operation and maintenance of meeting the special education needs of children with disabilities. (Authority, Individuals with Disabilities Act, Part B Sec 611, as amended; P.L. 91-230, 93-380, 94-142, 98-199, 99-457, 100-630, and 101-476; U.S.C. 1401-1419, P.L. 105-17)

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).

STUDENT SUPPORT ACADEMIC ACHIEVEMENT – To account for the program and funds to support well-rounded educational opportunities, safe and healthy students and effective use of technology. Authority for this fund comes from ESEA section 4107, 4108, and 4109.

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, 2018

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.

RECRUITMENT SUPPORT – To account for funds provided to aid the District in the recruiting/hiring of teachers. Fund was created by funding initiative from New Mexico Public Education Department.

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 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.

Capital Projects Funds

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.

STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS
NON-MAJOR GOVERNMENTAL FUND DESCRIPTIONS
JUNE 30, 2018

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, 2018

	<u>SPECIAL REVENUE</u>			
	<u>FOOD SERVICE</u>	<u>ATHLETICS</u>	<u>TITLE I MIGRANT</u>	<u>IDEA-B PRESCHOOL</u>
ASSETS				
Cash on Deposit	\$ 813,660	\$ 312	\$ 606	\$ 608
Investments	-	-	-	-
Due From Other Funds	-	-	-	-
Due From Other Agencies	-	-	5,092	4,121
Property Taxes Receivable	-	-	-	-
Inventory	16,265	-	-	-
TOTAL ASSETS	<u>\$ 829,925</u>	<u>\$ 312</u>	<u>\$ 5,698</u>	<u>\$ 4,729</u>
LIABILITIES AND FUND BALANCE				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Payroll	20,406	107	606	608
Due to Other Funds	-	-	5,092	4,121
TOTAL LIABILITIES	<u>20,406</u>	<u>107</u>	<u>5,698</u>	<u>4,729</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	-	-	-	-
Unearned Revenue	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE				
Nonspendable	16,265	-	-	-
Restricted:				
Transportation	-	-	-	-
Instructional Materials	-	-	-	-
Capital Projects Funds	-	-	-	-
Debt Service	-	-	-	-
Cafeteria	793,254	-	-	-
Athletics	-	205	-	-
Special Revenue Funds	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCE	<u>809,519</u>	<u>205</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 829,925</u>	<u>\$ 312</u>	<u>\$ 5,698</u>	<u>\$ 4,729</u>

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

SPECIAL REVENUE

IDEA - B EARLY INTERVENTION	ENGLISH LANGUAGE ACQUISITION	TEACHER PRINCIPAL TRAINING	RURAL & LOW INCOME SCHOOLS	USHHA/CDC SCHOOL HEALTH	STUDENT SUPPORT ACADEMIC ACHIEVEMENT
\$ 1,452	\$ 5	\$ 745	\$ 167	\$ -	\$ 3,563
-	-	-	-	-	-
-	-	-	-	-	-
22,513	11,966	29,723	22,934	2,443	5,023
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 23,965</u>	<u>\$ 11,971</u>	<u>\$ 30,468</u>	<u>\$ 23,101</u>	<u>\$ 2,443</u>	<u>\$ 8,586</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,452	5	745	167	-	3,563
22,513	11,966	29,723	22,934	2,443	5,023
<u>23,965</u>	<u>11,971</u>	<u>30,468</u>	<u>23,101</u>	<u>2,443</u>	<u>8,586</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 23,965</u>	<u>\$ 11,971</u>	<u>\$ 30,468</u>	<u>\$ 23,101</u>	<u>\$ 2,443</u>	<u>\$ 8,586</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, 2018

	SPECIAL REVENUE			
	IMPACT AID SPECIAL EDUCATION	TITLE XIX MEDICAID 3-21 YEARS	2009 DUAL CREDIT INSTRUCTIONAL MATERIALS	2012 GO BOND LIBRARY FUND SB-66
ASSETS				
Cash on Deposit	\$ 4,422	\$ 7,367	\$ -	\$ -
Investments	-	-	-	-
Due From Other Funds	-	-	-	-
Due From Other Agencies	-	-	3,842	1,636
Property Taxes Receivable	-	-	-	-
Inventory	-	-	-	-
TOTAL ASSETS	\$ 4,422	\$ 7,367	\$ 3,842	\$ 1,636
LIABILITIES AND FUND BALANCE				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Payroll	-	7,367	-	-
Due to Other Funds	-	-	3,842	1,636
TOTAL LIABILITIES	-	7,367	3,842	1,636
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	4,422	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCE	4,422	-	-	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 4,422	\$ 7,367	\$ 3,842	\$ 1,636

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

SPECIAL REVENUE

NEW MEXICO READS TO LEAD	RECRUITMENT SUPPORT	PRE K INITIATIVE	BREAKFAST FOR ELEMENTARY STUDENTS	GRADS INSTRUCTION	GRADS PLUS
\$ 5,970	\$ -	\$ 10,657	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
1,119	3,347	60,947	1,371	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 7,089</u>	<u>\$ 3,347</u>	<u>\$ 71,604</u>	<u>\$ 1,371</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,970	-	10,657	-	-	-
1,119	3,347	60,947	1,371	-	-
<u>7,089</u>	<u>3,347</u>	<u>71,604</u>	<u>1,371</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 7,089</u>	<u>\$ 3,347</u>	<u>\$ 71,604</u>	<u>\$ 1,371</u>	<u>\$ -</u>	<u>\$ -</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, 2018

	SPECIAL REVENUE		CAPITAL PROJECTS	
	PRIVATE DIRECT GRANTS	SENATE BILL NINE - STATE	ED TECH EQUIPMENT ACT	
ASSETS				
Cash on Deposit	\$ 29,567	\$ -	\$ 290,257	
Investments	-	-	426,391	
Due From Other Funds	-	-	-	
Due From Other Agencies	-	93,383	-	
Property Taxes Receivable	-	-	-	
Inventory	-	-	-	
TOTAL ASSETS	\$ 29,567	\$ 93,383	\$ 716,648	
LIABILITIES AND FUND BALANCE				
Accounts Payable	\$ -	\$ -	\$ 47,370	
Accrued Payroll	-	-	-	
Due to Other Funds	-	93,383	-	
TOTAL LIABILITIES	-	93,383	47,370	
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	-	-	-	
Unearned Revenue	-	-	-	
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	
FUND BALANCE				
Nonspendable	-	-	-	
Restricted:				
Transportation	-	-	-	
Instructional Materials	-	-	-	
Capital Projects Funds	-	-	669,278	
Debt Service	-	-	-	
Cafeteria	-	-	-	
Athletics	-	-	-	
Special Revenue Funds	29,567	-	-	
Unassigned	-	-	-	
TOTAL FUND BALANCE	29,567	-	669,278	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 29,567	\$ 93,383	\$ 716,648	

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

<u>DEBT SERVICE</u>		
<u>DEBT SERVICE</u>	<u>ED TECH DEBT SERVICE</u>	<u>TOTAL NON MAJOR FUNDS</u>
\$ 190,772	\$ 433,347	\$ 1,793,477
-	-	426,391
-	-	-
-	-	269,460
146,643	28,293	174,936
-	-	16,265
<u>\$ 337,415</u>	<u>\$ 461,640</u>	<u>\$ 2,680,529</u>
\$ -	\$ -	\$ 47,370
-	-	51,653
-	-	269,460
-	-	<u>368,483</u>
96,256	15,497	111,753
-	-	-
<u>96,256</u>	<u>15,497</u>	<u>111,753</u>
-	-	16,265
-	-	-
-	-	-
-	-	669,278
241,159	446,143	687,302
-	-	793,254
-	-	205
-	-	33,989
-	-	-
<u>241,159</u>	<u>446,143</u>	<u>2,200,293</u>
<u>\$ 337,415</u>	<u>\$ 461,640</u>	<u>\$ 2,680,529</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, 2018

	SPECIAL REVENUE			
	FOOD SERVICE	ATHLETICS	TITLE I MIGRANT	IDEA-B PRESCHOOL
REVENUE				
Federal Programs	\$ 1,280,998	\$ -	\$ 60,951	\$ 19,888
State Programs	-	-	-	-
Interest Earnings	2,787	20	-	-
Private/Direct Grants	-	-	-	-
Fees	131,924	82,187	-	-
Miscellaneous	1,574	-	-	-
Local Property Taxes	-	-	-	-
Sale of Bond Proceeds	-	-	-	-
TOTAL REVENUES	1,417,283	82,207	60,951	19,888
EXPENDITURES				
Current				
Instruction	-	85,711	1,542	19,286
Support Services				
Support Services-Students	-	-	57,703	-
Support Services-Instruction	-	-	-	-
Support Services-General Administration	-	-	1,706	602
Support Services-School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Food Services-Operations	1,407,599	-	-	-
Community Services-Operations	-	-	-	-
Acquisition & Construction	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
TOTAL EXPENDITURES	1,407,599	85,711	60,951	19,888
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	9,684	(3,504)	-	-
Other Financing Sources (uses)				
Refunds to PED	-	-	-	-
Transfer/Refunds	-	-	-	-
Total Other Financial Sources	-	-	-	-
Net Change In Fund Balance	9,684	(3,504)	-	-
FUND BALANCE				
as of June 30, 2017	799,835	3,709	-	-
Restatement	-	-	-	-
Restated Balance	799,835	3,709	-	-
FUND BALANCE as of June 30, 2018	\$ 809,519	\$ 205	\$ -	\$ -

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, 2018

	SPECIAL REVENUE			
	IMPACT AID SPECIAL EDUCATION	TITLE XIX MEDICAID 3-21 YEARS	2009 DUAL CREDIT INSTRUCTIONAL MATERIALS	2012 GO BOND LIBRARY FUND SB-66
REVENUE				
Federal Programs	\$ 5,312	\$ 240,876	\$ -	\$ -
State Programs	-	-	15,099	11,868
Interest Earnings	-	-	-	-
Private/Direct Grants	-	-	-	-
Fees	-	-	-	-
Miscellaneous	-	-	-	-
Local Property Taxes	-	-	-	-
Sale of Bond Proceeds	-	-	-	-
TOTAL REVENUES	5,312	240,876	15,099	11,868
EXPENDITURES				
Current				
Instruction	9,597	-	15,099	11,868
Support Services				
Support Services-Students	-	240,876	-	-
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	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
TOTAL EXPENDITURES	9,597	240,876	15,099	11,868
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(4,285)	-	-	-
Other Financing Sources (uses)				
Refunds to PED	-	-	-	-
Transfer/Refunds	-	-	-	-
Total Other Financial Sources	-	-	-	-
Net Change In Fund Balance	(4,285)	-	-	-
FUND BALANCE				
as of June 30, 2017	8,707	-	-	-
Restatement	-	-	-	-
Restated Balance	8,707	-	-	-
FUND BALANCE				
as of June 30, 2018	\$ 4,422	\$ -	\$ -	\$ -

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, 2018

	SPECIAL REVENUE		CAPITAL PROJECTS	
	PRIVATE DIRECT GRANTS	SENATE BILL NINE - STATE	ED TECH EQUIPMENT ACT	
REVENUE				
Federal Programs	\$ -	\$ -	\$ -	
State Programs	-	177,996	-	
Interest Earnings	-	-	5,127	
Private/Direct Grants	36,000	-	-	
Fees	-	-	-	
Miscellaneous	-	-	-	
Local Property Taxes	-	-	-	
Sale of Bond Proceeds	-	-	391,375	
TOTAL REVENUES	36,000	177,996	396,502	
EXPENDITURES				
Current				
Instruction	12,145	-	-	
Support Services				
Support Services-Students	-	-	-	
Support Services-Instruction	1,000	-	-	
Support Services-General Administration	-	-	-	
Support Services-School Administration	-	-	-	
Central Services	-	-	-	
Operation & Maintenance of Plant	-	-	-	
Student Transportation	-	-	-	
Food Services-Operations	-	-	-	
Community Services-Operations	-	-	-	
Acquisition & Construction	-	177,996	409,103	
Debt Service				
Principal	-	-	-	
Interest	-	-	-	
TOTAL EXPENDITURES	13,145	177,996	409,103	
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	22,855	-	(12,601)	
Other Financing Sources (uses)				
Refunds to PED	-	-	-	
Transfer/Refunds	-	-	-	
Total Other Financial Sources	-	-	-	
Net Change In Fund Balance	22,855	-	(12,601)	
FUND BALANCE				
as of June 30, 2017	6,712	-	422,440	
Restatement	-	-	259,439	
Restated Balance	6,712	-	681,879	
FUND BALANCE	\$ 29,567	\$ -	\$ 669,278	
as of June 30, 2018				

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

<u>DEBT SERVICE</u>		
<u>DEBT SERVICE</u>	<u>ED TECH DEBT SERVICE</u>	<u>TOTAL NON MAJOR FUNDS</u>
\$ -	\$ -	\$ 1,984,340
-	-	854,400
740	893	9,567
-	-	36,000
-	-	214,111
-	-	1,574
1,568,950	435,137	2,004,087
-	-	391,375
<u>1,569,690</u>	<u>436,030</u>	<u>5,495,454</u>
-	-	891,141
-	-	433,142
-	-	3,812
15,740	4,316	34,862
-	-	3,269
-	-	3,347
-	-	-
-	-	19,999
-	-	1,521,739
-	-	-
-	-	587,099
1,400,000	290,000	1,690,000
181,829	14,067	195,896
<u>1,597,569</u>	<u>308,383</u>	<u>5,384,306</u>
(27,879)	127,647	111,148
-	-	-
-	-	-
-	-	-
(27,879)	127,647	111,148
269,038	318,496	1,829,706
-	-	259,439
<u>269,038</u>	<u>318,496</u>	<u>2,089,145</u>
<u>\$ 241,159</u>	<u>\$ 446,143</u>	<u>\$ 2,200,293</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, 2018

	Operational	Transportation	Instructional Materials	TOTALS
ASSETS				
Cash on Deposit	\$ 1,660,547	\$ -	\$ 70,731	\$ 1,731,278
Due from Other Funds	661,989	-	-	661,989
Property Tax Receivable	10,711	-	-	10,711
TOTAL ASSETS	\$ 2,333,247	\$ -	\$ 70,731	\$ 2,403,978
LIABILITIES AND FUND BALANCE				
Accounts Payable	\$ 41,534	\$ -	\$ -	\$ 41,534
Accrued Payroll	638,934	-	-	638,934
TOTAL LIABILITIES	680,468	-	-	680,468
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	6,770	-	-	6,770
Unearned Revenue	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	6,770	-	-	6,770
FUND BALANCE				
Nonspendable	-	-	-	-
Restricted:				
Transportation	-	-	-	-
Instructional Materials	-	-	70,731	70,731
Capital Projects Funds	-	-	-	-
Debt Service	-	-	-	-
Cafeteria	-	-	-	-
Athletics	-	-	-	-
Special Revenue Funds	-	-	-	-
Committed for				
Subsequent year's expenditures	1,646,009	-	-	1,646,009
Unassigned	-	-	-	-
TOTAL FUND BALANCE	1,646,009	-	70,731	1,716,740
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 2,333,247	\$ -	\$ 70,731	\$ 2,403,978

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, 2018

	Operational	Transportation	Instructional Materials	TOTALS
REVENUE				
Federal Programs	\$ 68,540	\$ -	\$ -	\$ 68,540
State Programs	-	1,037,355	83,429	1,120,784
State Equalization	21,128,950	-	-	21,128,950
Interest Earnings	9,269	-	-	9,269
Private/Direct Grants	-	-	-	-
Charges For Services	26,707	-	-	26,707
Fees	-	-	-	-
Donations	250	-	-	250
Sale of Property	14,879	-	-	14,879
Miscellaneous	-	-	-	-
Indirect Cost	103,774	-	-	103,774
Rent and Royalties	150	-	-	150
Refund of Prior Year's Expenditures	565	-	1,711	2,276
Forest Reserve	-	-	-	-
Sale of Bond Proceeds	-	-	-	-
Premium on Bond Sale	-	-	-	-
Local Property Taxes	131,285	-	-	131,285
TOTAL REVENUES	21,484,369	1,037,355	85,140	22,606,864
EXPENDITURES				
Current				
Instruction	12,945,130	-	74,259	13,019,389
Support Services				
Support Services-Students	2,115,572	-	-	2,115,572
Support Services-Instruction	239,116	-	-	239,116
Support Services-General Administration	542,435	-	-	542,435
Support Services-School Administration	1,433,790	-	-	1,433,790
Central Services	671,111	-	-	671,111
Operation & Maintenance of Plant	2,252,444	-	-	2,252,444
Student Transportation	-	1,037,355	-	1,037,355
Other Support Services	-	-	-	-
Food Services-Operations	-	-	-	-
Community Services-Operations	-	-	-	-
Acquisition & Construction	-	-	-	-
Debt Service				
Other Bond Services	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
TOTAL EXPENDITURES	20,199,598	1,037,355	74,259	21,311,212
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	1,284,771	-	10,881	1,295,652
Other Financing Sources (uses)				
Transfer IN (OUT)	-	-	-	-
Total Other Financial Sources	-	-	-	-
Net Change In Fund Balances	1,284,771	-	10,881	1,295,652
FUND BALANCE				
as of June 30, 2017	361,238	-	59,850	421,088
Restatement	-	-	-	-
Restated Balance	361,238	-	59,850	421,088
FUND BALANCE as of June 30, 2018	\$ 1,646,009	\$ -	\$ 70,731	\$ 1,716,740

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, 2018

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Residential/Non-Residential Taxes	\$ 128,815	\$ 128,815	\$ 128,284	\$ (531)
Fees-Users	20,000	23,951	26,707	2,756
Donations/Gifts	400	400	250	(150)
Interest Income	3,900	8,861	9,269	408
State Equalization	20,803,071	21,127,548	21,128,950	1,402
Impact Aid	7,500	7,500	6,638	(862)
Rent	-	150	150	-
Sale of Property/Equipment	5,000	14,880	14,879	(1)
Access Board	72,950	72,950	61,901	(11,049)
Refunds	260	565	565	-
Indirect Cost - (Flow Through Grants)	115,850	115,850	103,774	(12,076)
TOTAL REVENUE	<u>21,157,746</u>	<u>21,501,470</u>	<u>\$ 21,481,367</u>	<u>\$ (20,103)</u>
Cash Balance Budgeted	<u>402,075</u>	<u>490,387</u>		
TOTAL REVENUE & CASH	<u>\$ 21,559,821</u>	<u>\$ 21,991,857</u>		
EXPENDITURES				
Current				
Instruction	\$ 13,730,415	\$ 13,918,539	\$ 12,951,022	\$ 967,517
Support Services				
Support Services-Students	2,235,788	2,327,664	2,104,340	223,324
Support Services-Instruction	247,095	267,618	239,116	28,502
Support Services-General Administration	622,726	647,457	549,002	98,455
Support Services-School Administration	1,420,474	1,461,676	1,433,995	27,681
Central services	670,388	748,615	694,282	54,333
Operation & Maintenance of Plant	2,613,992	2,601,345	2,316,395	284,950
Other Support Services	18,943	18,943	-	18,943
TOTAL EXPENDITURES	<u>\$ 21,559,821</u>	<u>\$ 21,991,857</u>	<u>\$ 20,288,152</u>	<u>\$ 1,703,705</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 21,481,367
Differences-Budget to GAAP	
Prior Year Taxes Receivable	(11,904)
Current Year Taxes Receivable	10,711
Current Year Deferral	(6,770)
Prior Year Deferral	10,965
Total Revenues (GAAP Basis)	<u>\$ 21,484,369</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 20,288,152
Differences-budget to GAAP	
Current year Payable	41,534
Prior Year Payable	(130,088)
Total Expenditures (GAAP Basis)	<u>\$ 20,199,598</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--TRANSPORTATION FUND

Year Ended June 30, 2018

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Flow Through Grants	\$ 1,037,355	\$ 1,037,355	\$ 1,037,355	\$ -
TOTAL REVENUE	<u>1,037,355</u>	<u>1,037,355</u>	<u>\$ 1,037,355</u>	<u>\$ -</u>
Cash Balance Budgeted	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 1,037,355</u>	<u>\$ 1,037,355</u>		
EXPENDITURES				
Current				
Student Transportation	\$ 1,037,355	\$ 1,037,355	\$ 1,037,355	-
TOTAL EXPENDITURES	<u>\$ 1,037,355</u>	<u>\$ 1,037,355</u>	<u>\$ 1,037,355</u>	<u>-</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 1,037,355
Differences-Budget to GAAP	
Total Revenues (GAAP Basis)	<u>\$ 1,037,355</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 1,037,355
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 1,037,355</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, 2018

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Flow Through Grants	\$ 76,017	\$ 83,429	\$ 83,429	\$ -
Refunds	300	1,711	1,711	-
TOTAL REVENUE	<u>76,317</u>	<u>85,140</u>	<u>\$ 85,140</u>	<u>\$ -</u>
Cash Balance Budgeted	<u>12,443</u>	<u>59,850</u>		
TOTAL REVENUE & CASH	<u>\$ 88,760</u>	<u>\$ 144,990</u>		
EXPENDITURES				
Current				
Instruction	\$ 88,760	\$ 144,990	\$ 74,259	\$ 70,731
TOTAL EXPENDITURES	<u>\$ 88,760</u>	<u>\$ 144,990</u>	<u>\$ 74,259</u>	<u>\$ 70,731</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 85,140
Differences-Budget to GAAP	
Total Revenues (GAAP Basis)	<u>\$ 85,140</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 74,259
Differences-budget to GAAP	
Prior Year Payable	-
Total Expenditures (GAAP Basis)	<u>\$ 74,259</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, 2018

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Interest Income	\$ -	\$ 22,309	\$ 22,309	\$ -
Refunds	-	3,501	3,500	(1)
Bond Proceeds	966,712	4,707,020	1,711,196	(2,995,824)
TOTAL REVENUE	966,712	4,732,830	\$ 1,737,005	\$ (2,995,825)
Cash Balance Budgeted	966,712	1,207,020		
TOTAL REVENUE & CASH	\$ 1,933,424	\$ 5,939,850		
EXPENDITURES				
Current				
Acquisition & Construction	\$ 966,712	\$ 4,732,830	\$ 1,734,005	\$ 2,998,825
TOTAL EXPENDITURES	\$ 966,712	\$ 4,732,830	\$ 1,734,005	\$ 2,998,825

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

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 1,737,005
Differences-Budget to GAAP	
Total Revenues (GAAP Basis)	\$ 1,737,005

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 1,734,005
Differences-budget to GAAP	
Current Year payable	-
Prior Year Payable	(165,572)
Total Expenditures (GAAP Basis)	\$ 1,568,433

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 2018

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Residential/Non-Residential Taxes	\$ 521,929	\$ 521,929	\$ 550,433	\$ 28,504
Interest Income	3,000	4,620	4,899	279
Refunds	-	5,500	5,500	-
Insurance Recoveries	-	57,980	57,979	(1)
TOTAL REVENUE	<u>524,929</u>	<u>590,029</u>	<u>\$ 618,811</u>	<u>\$ 28,782</u>
Cash Balance Budgeted	<u>1,559,751</u>	<u>1,667,761</u>		
TOTAL REVENUE & CASH	<u>\$ 2,084,680</u>	<u>\$ 2,257,790</u>		
EXPENDITURES				
Current				
Support Services-General Administration	\$ 5,220	\$ 5,720	\$ 5,504	\$ 216
Acquisition & Construction	2,079,460	2,252,070	1,025,227	1,226,843
TOTAL EXPENDITURES	<u>\$ 2,084,680</u>	<u>\$ 2,257,790</u>	<u>\$ 1,030,731</u>	<u>\$ 1,227,059</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 618,811
Differences-Budget to GAAP	
Property tax Receivable	44,168
Prior Year Tax Receivables	(60,109)
Current Year Receivable	
Prior Year Receivable	
Current Year Deferral	(27,210)
Prior Year Deferral	44,320
Total Revenues (GAAP Basis)	<u>\$ 619,980</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 1,030,731
Differences-budget to GAAP	
Current year accounts payable	3,132
Prior year accounts payable	(89,073)
Total Expenditures (GAAP Basis)	<u>\$ 944,790</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, 2018

	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR NUMBER	PROGRAM EXPENDITURES
US DEPARTMENT OF EDUCATION			
Passed through New Mexico Public Education Department			
Special Education Cluster (IDEA)-Cluster			
IDEA-B Entitlement	<1> 84.027	24106	735,595
IDEA B Preschool	<1> 84.173	24109	19,888
Total Special Education Cluster (IDEA)-Cluster			<u>755,483</u>
Title I	84.010	24101	887,601
Title I - Migrant	84.011	24103	60,951
Idea B Early Intervention	84.181	24112	112,811
English Language Acquisition	84.365	24153	22,593
Teacher/Principal Training	84.367	24154	140,866
Rural & Low Income Schools	84.358	24160	50,905
Student Support Academic Achievement	84.424	24189	44,723
Impact Aid Special Ed	84.041	25145	9,597
Impact Aid - General Fund	84.041	11000	6,638
Total Department of Education			<u>1,336,685</u>
US DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through New Mexico Public Education Department			
USHHA/CDC School Health	93.079	24186	4,418
Title XIX Medicaid	93.778	25153	240,876
Total Department of Health and Human Services			<u>245,294</u>
US DEPARTMENT OF AGRICULTURE			
Passed Through New Mexico Public Education Department			
National School Lunch	10.555	21000	1,180,956
School Food Commodity Distribution Program	10.559	21000	100,042
Total Department of Agriculture			<u>1,280,998</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 3,618,460</u>

<1> Major Program

Reconciliation to Federal Revenues in Financial Statements:

Federal Revenues Per Financial Statements	\$ 3,658,921
Access Board - ERATE	(61,901)
Change in accrued expenses IDEA-B Entitlement	16,300
Prior year sources Impact Aid Special Ed	4,285
Change in accrued expenses Title I	855
	<u>\$ 3,618,460</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, 2018 in accordance with the requirements of Title 2 U.S. code fo Federal Regulation 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 \$100,042 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, 2018

	TOTAL DEPOSITS	FDIC INSURANCE	UNINSURED BANK BALANCE	COLLATERAL REQUIRED
JP STONE COMMUNITY BANK	\$ 5,000,025	\$ 250,000	\$ 4,750,025	\$ 2,375,013

COLLATERAL	CUSIP #	MATURITY	CREDIT AMOUNT
Hobbs NM SD #16	433866ECO	09/15/19	\$ 294,265
Hobbs NM SD #16	433866FY1	09/15/21	100,147
FFCB	3133EFYH4	02/08/27	964,106
FHLB	3130A8ZE6	08/22/31	93,280
FFCB	3130A9FD8	09/23/26	916,015
FHLB	3030A8ZE6	08/22/31	279,841
FHLB	3130AADF2	12/30/16	494,083
			<u>\$ 3,141,737</u>

LETTER OF CREDITS ISSUED BY
 THE INDEPENDENT BANKERS BANK
 DALLAS, TEXAS

	TOTAL DEPOSITS	FDIC INSURANCE	UNINSURED BANK BALANCE	COLLATERAL REQUIRED
NEW MEXICO LGIP	\$ 1,199	\$ 1,199	\$ -	\$ -

	TOTAL DEPOSITS	FDIC INSURANCE	UNINSURED BANK BALANCE	COLLATERAL REQUIRED
US BANK	\$ 23,129	\$ 23,129	\$ -	\$ -

TOTAL ALL BANKS	<u>\$ 5,024,353</u>	<u>\$ 274,328</u>	<u>\$ 4,750,025</u>	<u>\$ 2,375,013</u>
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	TOTAL DEPOSITS	FDIC INSURANCE	UNINSURED BANK BALANCE	COLLATERAL REQUIRED
NEW MEXICO FIANANCE AUTHORITY	\$ 3,723,742	\$ -	\$ 3,723,742	\$ 1,861,871
TOTAL ALL FINANCIAL INSTITUTIONS	<u>\$ 8,748,095</u>	<u>\$ 274,328</u>	<u>\$ 8,473,767</u>	<u>\$ 4,236,884</u>

COLLATERAL PLEDGED	SECURITY DEFICIT	UNINSURED & UNCOLLATERALIZED DEPOSITS
<u>\$ 3,141,737</u>	<u>\$ -</u>	<u>\$ 1,608,288</u>

COLLATERAL PLEDGED	SECURITY DEFICIT	UNINSURED & UNCOLLATERALIZED DEPOSITS
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COLLATERAL PLEDGED	SECURITY DEFICIT	UNINSURED & UNCOLLATERALIZED DEPOSITS
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>\$ 3,141,737</u>	<u>\$ -</u>	<u>\$ 1,608,288</u>
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COLLATERAL PLEDGED	SECURITY DEFICIT	UNINSURED & UNCOLLATERALIZED DEPOSITS
<u>\$ 3,723,742</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 6,865,479</u>	<u>\$ -</u>	<u>\$ 1,608,288</u>

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

BANK SUMMARY

June 30, 2018

BANK	ACCT TYPE	FUND	BANK BALANCE	DEPOSITS IN TRANSIT	OUTSTANDING CHECKS	CASH BALANCE
JP STONE COMMUNITY BANK	* CHK	OPERATIONAL	\$ 1,119,535	\$ -	\$ -	\$ 1,119,535
	* CHK	FOOD SERVICES	793,254	-	-	793,254
	* CHK	CAPITAL PROJECTS	1,789,578	-	-	1,789,578
	* CHK	ATHLETICS	-	-	-	-
	CHK	ACCOUNTS PAYABLE CLEARING	71,098	-	71,098	-
	CHK	PAYROLL CLEARING	760,355	-	754,357	5,998
	* CHK	ACTIVITY	466,205	100	-	466,305
TOTAL JP STONE COMMUNITY BANK			5,000,025	100	825,455	4,174,670
NEW MEXICO LGIP	* SVG	OPERATIONAL	1,006	-	-	1,006
	* SVG	ACTIVITY	193	-	-	193
TOTAL NEW MEXICO LGIP			1,199	-	-	1,199
NEW MEXICO FINANCE AUTHORITY	* SVG	BOND BUILDING	1,048,533			1,048,533
	* SVG	BOND BUILDING	1,958,561			1,958,561
	* SVG	ED TECH EQUIPMENT	52,903			52,903
	* SVG	ED TECH EQUIPMENT	33,719			33,719
	* SVG	ED TECH EQUIPMENT	224,697			224,697
	* SVG	ED TECH EQUIPMENT	405,329			405,329
TOTAL NEW MEXICO FINANCE AUTHORITY			3,723,742			3,723,742
US BANK	* SVG	SCHOLARSHIP	23,129	-	-	23,129
TOTAL			\$ 8,748,095	\$ 100	\$ 825,455	\$ 7,922,740

* interest bearing

CASH PER FINANCIAL STATEMENTS	\$ 8,166,197
AGENCY CASH	489,627
ACCRUED PAYROLL	(733,084)
	<u>\$ 7,922,740</u>

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

BANK RECONCILIATION

JUNE 30, 2018

	Operational	Transportation	Food Services	Athletics	Federal Projects	Local & State
Audited Net Cash JUNE 30, 2017	\$ 1,293,597	\$ -	\$ 825,816	\$ 4,706	\$ 45,512	\$ 31,658
	-	-	-	-	-	-
CASH BALANCE JUNE 30, 2017	1,293,597	-	825,816	4,706	45,512	31,658
Add: Prior year void checks	-	-	-	-	-	-
2017-2018 Revenue	21,481,368	1,037,355	1,317,241	82,207	2,169,788	678,354
Loans In	413,948	-	-	-	589,727	72,262
Transfers In	-	-	-	-	-	-
	-	-	-	-	-	-
	21,895,316	1,037,355	1,317,241	82,207	2,759,515	750,616
TOTAL AVAILABLE CASH	23,188,913	1,037,355	2,143,057	86,913	2,805,027	782,274
Less:						
2017-2018 Expenditures	20,288,152	1,037,355	1,317,406	85,711	2,330,824	703,948
Loans Out	661,989	-	-	-	378,699	24,016
Accrued Payroll	1,217,159	-	32,397	997	91,080	24,743
Transfers Out	-	-	-	-	-	-
Prior year deposit error	-	-	-	-	-	-
	22,167,300	1,037,355	1,349,803	86,708	2,800,603	752,707
NET CASH, JUNE 30, 2018	1,021,613	-	793,254	205	4,424	29,567
Accrued Payroll	638,934	-	20,406	107	57,010	16,627
Payroll Clearing Cash	-	-	-	-	-	-
Investments	-	-	-	-	-	-
TOTAL CASH JUNE 30, 2018	\$ 1,660,547	\$ -	\$ 813,660	\$ 312	\$ 61,434	\$ 46,194

SB-9 State	SB-9 Local	Ed Tech Equipment Act	Ed Tech Debt Service	Debt Service	Instructional Materials	Bond Building	Total
\$ -	\$ 1,667,762	\$ -	\$ 309,226	\$ 213,597	\$ 59,850	\$ 311,287	\$ 4,763,011
-	-	290,257	-	-	-	2,695,807	2,986,064
-	1,667,762	290,257	309,226	213,597	59,850	3,007,094	7,749,075
-	-	-	-	-	-	-	-
98,955	618,811	396,502	432,504	1,574,745	85,140	1,737,005	31,709,975
93,383	-	-	-	-	-	-	1,169,320
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
192,338	618,811	396,502	432,504	1,574,745	85,140	1,737,005	32,879,295
192,338	2,286,573	686,759	741,730	1,788,342	144,990	4,744,099	40,628,370
181,105	1,030,732	396,502	308,383	1,597,570	74,259	1,734,005	31,085,952
11,233	93,383	-	-	-	-	-	1,169,320
-	-	-	-	-	-	-	1,366,376
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
192,338	1,124,115	396,502	308,383	1,597,570	74,259	1,734,005	33,621,648
-	1,162,458	290,257	433,347	190,772	70,731	3,010,094	7,006,722
-	-	-	-	-	-	-	733,084
-	-	-	-	-	-	-	-
-	-	426,391	-	-	-	-	426,391
\$ -	\$ 1,162,458	\$ 716,648	\$ 433,347	\$ 190,772	\$ 70,731	\$ 3,010,094	\$ 8,166,197

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -- AGENCY FUND

Year Ended June 30, 2018

	<u>BALANCE</u> 06/30/2017	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> 06/30/2018
Administration	\$ 83,688	\$ 110,592	\$ 77,202	\$ 117,078
High School	135,605	130,743	148,707	117,641
Junior High School	73,160	269,249	274,505	67,904
Brown Elementary	20,128	59,130	56,493	22,765
James Elementary	15,187	21,909	18,916	18,180
Lindsey-Steiner Elementary	21,595	35,515	34,812	22,298
Valencia Elementary	48,952	32,226	35,641	45,537
Portales High School Daycare	69,110	58,585	49,471	78,224
Total	<u>\$ 467,425</u>	<u>\$ 717,949</u>	<u>\$ 695,747</u>	489,627
				<u>63,897</u>
Agency fund capital assets (net)				63,897
Total agency fund assets				<u>\$ 553,524</u>
				<u>\$ 553,524</u>
Due to District and student organizations				<u>\$ 553,524</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, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.53337%	0.54885%	0.56275%	0.55860%
Proportionate share of the net pension liability	\$ 59,275,905	\$ 39,497,626	\$ 36,450,816	\$ 31,874,486
Covered Employee Payroll	\$ 14,870,180	\$ 15,189,358	\$ 15,997,856	\$ 15,400,040
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	398.62%	260.03%	227.85%	206.98%
Plan fiduciary net position as a percentage of total pension liability	52.95%	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, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,067,152	\$ 2,111,320	\$ 2,178,885	\$ 2,223,580
Contributions in relation to the contractually required contribution	\$ 2,067,152	\$ 2,111,320	\$ 2,178,885	\$ 2,223,580
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 14,870,180	\$ 15,189,358	\$ 15,997,856	\$ 15,400,040
Contributions as a percentage of covered-employee payroll	13.90%	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, 2018

Changes in benefit provisions. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2017.

Changes in assumptions and methods. Actuarial assumptions and methods are set by the Board of Trustee, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, The Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS
 SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

for the YEAR ENDED JUNE 30, 2018

	<u>2018</u>
Employer's proportion of the net OPEB liability	0.35383%
Employer's proportionate share of the net OPEB liability	\$ 16,034,419
Employer covered-employee payroll	\$ 14,870,180
Employers proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	107.83%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

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 available years.

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. Wayne Johnson
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, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds of Portales Municipal Schools (the District), as of and for the year ended June 30, 2018, 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 12, 2018.

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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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." The signature is written in black ink and is centered on the page.

Woodard, Cowen & Co.

Portales, New Mexico

November 12, 2018

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. Wayne Johnson
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, 2018. 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, 2018.

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.".

Woodard, Cowen & Co.

Portales, New Mexico

November 12, 2018

STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2018

PRIOR YEAR AUDIT 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.

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.

Status: Resolved

STATE OF NEW MEXICO
 PORTALES MUNICIPAL SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2018

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	Special Education Cluster (IDEA) - Cluster IDEA-B Entitlement #84.027 IDEA-B Preschool #84.173
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:	None
IV. NEW MEXICO STATE AUDIT RULE SECTION 12-6-5 NMSA 1978 FINDINGS	None

STATE OF NEW MEXICO
PORTALES MUNICIPAL SCHOOLS

June 30, 2018

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 12, 2018. In attendance at the 11:30 AM meeting were Mr. Johnnie Cain, Superintendent; Inez Rodriguez, School Board President; 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 members Noelle Bartl and Kaye Green.