

State of New Mexico

TEXICO MUNICIPAL SCHOOLS



FOR YEAR ENDED JUNE 30, 2016
ANNUAL FINANCIAL REPORT

RICE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO

TEXICO MUNICIPAL SCHOOL
DISTRICT NO. 13

AUDIT REPORT

For The Year Ended June 30, 2016

(with Auditor's Report Thereon)

STATE OF NEW MEXICO
TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
TABLE OF CONTENTS
Year Ended June 30, 2016

	<u>Page</u>
Introduction Section	
Official Roster	i
Financial Section	
Independent Auditor's Report	1
<u>Financial Statements</u>	
1 Statement of Net Position	4
2 Statement of Activities	6
3 Balance Sheet - All Governmental Funds	7
4 Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	8
5 Statement of Revenues, Expenditures and Changes In Fund Balances - All Governmental Funds	9
6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	10
7 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) General Fund	11
8 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) Title I	12
9 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) IDEA-B Entitlement	13
10 Statement of Fiduciary Asset and Liabilities - Agency Funds	14

Table of Contents (continued)

	<u>Page</u>
Notes to Financial Statements	15
Other Major Funds Budgets:	
11 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) Special Local Government Road Fund	43
12 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) Bond Building	44
13 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) Capital Improvements SB-9	45
14 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) Debt Service Fund	46
Other Major Funds Budgets	
Non-Major Governmental Funds:	
A-1 Combining Balance Sheet - By Fund Type	47
A-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - By Fund Type	48
A-3 Special Revenue Funds: Combined Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	49
A-4 Capital Projects Fund: Combined Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	50
Non-Major Special Revenue Funds:	
B-1 Combining Balance Sheet	51
B-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances	52
B-3 IDEA-B Preschool: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	53

Table of Contents (continued)

	<u>Page</u>
B-4 IDEA-B "Risk Pool": Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	54
B-5 REAP: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	55
B-6 Improving Teacher Quality: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	56
B-7 Dual Credit: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	57
B-8 Read2Lead: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	58
B-9 Athletics: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	59
B-10 Cafeteria: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	60
Non-Major Capital Outlay Fund:	
C-1 Combining Balance Sheet	61
C-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances	62
C-3 Special Capital Outlay State: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	63
General Fund:	
D-1 Combining Balance Sheet	64
D-2 Combining Statement of Revenue, Expenditures and Changes in Fund Balances	65
D-3 Operational Fund: Statement of Revenues and Expenditures Budget and Actual (Non-GAAP Budgetary Basis)	66

Table of Contents (continued)

	<u>Page</u>
D-4 Transportation Fund: Statement of Revenues and Expenditures Budget and Actual (Non-GAAP Budgetary Basis)	67
D-5 Instructional Materials Fund: Statement of Revenues and Expenditures Budget and Actual (Non-GAAP Budgetary Basis)	68
Required Supplementary Information:	
<u>Schedule</u>	
I Schedule of Proportionate Share of the Net Pension Liability	69
II Schedule of Contributions	70
Notes to Required Supplementary Information	71
Supplementary Information:	
III Schedule of Cash Receipts and Disbursements - All Funds by School District Classification	72
IV Schedule of Vendor Information	73
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> - Independent Auditor's Report	74
Status of Comments and Responses	76
Financial Statement Preparation and Exit Conference	79

STATE OF NEW MEXICO
TEXICO MUNICIPAL SCHOOL
DISTRICT NO. 13
Official Roster
Year Ended June 30, 2016

Board of Education

<u>Name</u>	<u>Title</u>
Mr. Cary Crist	President
Mr. Justin Barnes	Vice President
Mr. Duwain Hill	Secretary
Mr. Chad Davis	Member
Mr. Craig Rohrbach	Member

School Officials

Mr. Robert Brown	Superintendent
Ms. Cheryl Whitener	Business Manager

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

INDEPENDENT AUDITOR'S REPORT

Mr. Tim Keller
New Mexico State Auditor
and
Board of Education
Texico Municipal School District No. 13
Texico, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the General, Title I, IDEA-B Entitlement, Special Local Government Road, Bond Building, Capital Improvements SB-9 and Debt Service Funds of the Texico Municipal School District No. 13, as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Texico Municipal School District No. 13 basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Texico Municipal School District No. 13 non-major governmental and fiduciary funds and the budgetary comparisons for the Major Capital Project and Debt Service Funds and all non-major funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Texico Municipal School District No. 13, as of June 30, 2016, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Title I, IDEA-B Entitlement, Special Local Government Road fund, Bond Building, Capital Improvements SB-9 and Debt Service Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental and fiduciary funds of the Texico Municipal School District No. 13, as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the Major Capital Project and Debt Service funds and the non-major governmental funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the Texico Municipal School District's financial statements, the combining and the individual fund financial statements, and the budgetary comparisons. The Supporting Schedule III is required by Section 2.2.2 NMAC and is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparisons for the Major Capital Project and Debt Service Funds and non-major governmental funds, the Schedule of Cash Receipts and Disbursements - All Funds by School District Classification are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basis

financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparisons for the Major Capital Project and Debt Service Funds and the non-major governmental funds, the Schedule of Cash Receipts and Disbursements - All Funds by School District Classification fairly states, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2016 on our consideration of the Texico Municipal School District No. 13 internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Texico Municipal School District No. 13 internal control over financial reporting and compliance.

Rod & Associates, CPA

Albuquerque, New Mexico
October 10, 2016

FINANCIAL STATEMENTS

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

Statement 1
 Page 1 of 2

	Governmental Activities
ASSETS	
Current assets	
Cash	\$ 3,206,038
Accounts receivable	6,471
Due from grantor	130,494
Inventory	1,938
Total current assets	3,344,941
Non-current assets	
Capital assets (depreciable)	16,905,332
Less accumulated depreciation	(6,283,384)
Total non-current assets	10,621,948
Total assets	13,966,889
 Deferred outflows of resources	
Change in proportion in Net Pension Liability	151,759
Change in assumption in Net Pension Liability	289,669
Reallocation of Net Pension Liability	33,750
Post measurement date contributions	512,571
Total deferred outflows of resources	987,749
Total assets and deferred outflows of resources	\$ 14,954,638

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

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

Statement 1
 Page 2 of 2

LIABILITIES

Current liabilities	
Accounts payable	\$ 7,805
Accrued interest	109,710
Current portion of long-term liabilities	<u>470,000</u>
Total current liabilities	<u>587,515</u>
Long-term obligations:	
Net pension liability	8,421,742
Compensated absences	17,618
Non-current portion of long-term liabilities	<u>3,645,000</u>
Total long-term liabilities	<u>12,084,360</u>
Total liabilities	<u>12,671,875</u>

Deferred inflows of resources

Actuarial experience in Net Pension Liability	156,131
Investment experience in Net Pension Liability	37,908
Change in proportion in Net Pension Liability	<u>-</u>
Total deferred inflows of resources	<u>194,039</u>

NET POSITION

Net investment in capital assets	6,506,948
Restricted for:	
Cafeteria fund (inventory)	1,938
Capital outlay	2,096,629
Debt service	582,673
Special grants	59,402
Unrestricted	<u>(7,158,866)</u>
Total net position	<u>2,088,724</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 14,954,638</u>

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

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Statement of Activities
 Year Ended June 30, 2016

Statement 2

<u>Functions/Programs</u>	Program Revenues				Net
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	(Expenses) Revenue and Changes Net Assets
EXPENSES:					
Governmental activities:					
Direct instruction	\$ 4,020,875	\$ 37,994	\$ 377,623	\$ -	\$ (3,605,258)
Instructional support	2,147,821	-	305,589	29,239	(1,812,993)
Food services	179,983	27,345	128,784	-	(23,854)
Depreciation - unallocated	566,496	-	-	-	(566,496)
Interest on long-term obligations	119,733	-	-	-	(119,733)
Total governmental activities	7,034,908	65,339	811,996	29,239	(6,128,334)
General revenues:					
Taxes					
Property taxes, levied for general purposes					36,085
Property taxes, levied for capital projects					147,969
Property taxes, levied for debt service					590,261
Federal and State aid not restricted to specific purpose					5,165,824
General					5,964
Interest and investment earnings					5,964
Sub-total, general revenues					5,946,103
Change in net position					(182,231)
Net position - beginning of year					2,270,955
Net position - end of year					\$ 2,088,724

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

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Balance Sheet - All Governmental Funds
 June 30, 2016

Statement 3

	General	Title I	IDEA-B Entitlement	Special Local Government Road Fund	Bond Building	Capital Improvements SB-9	Debt Service	Other Governmental	Total
ASSETS									
Cash on deposit	\$ 505,701	\$ -	\$ -	\$ -	\$1,917,281	\$ 178,040	\$ 577,817	\$ 27,199	\$ 3,206,038
Accounts receivable	307	-	-	-	-	1,308	4,856	-	6,471
Inventory, at cost	-	-	-	-	-	-	-	1,938	1,938
Due from other funds	130,494	-	-	-	-	-	-	-	130,494
Due from grantor	-	77,146	-	29,239	-	-	-	24,109	130,494
Total assets	<u>\$ 636,502</u>	<u>\$ 77,146</u>	<u>\$ -</u>	<u>\$ 29,239</u>	<u>\$1,917,281</u>	<u>\$ 179,348</u>	<u>\$ 582,673</u>	<u>\$ 53,246</u>	<u>\$ 3,475,435</u>
LIABILITIES									
Accounts payable	\$ 7,805	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,805
Due to other funds	-	77,146	-	29,239	-	-	-	24,109	130,494
Total liabilities	<u>7,805</u>	<u>77,146</u>	<u>-</u>	<u>29,239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,109</u>	<u>138,299</u>
FUND BALANCE									
Nonspendable	-	-	-	-	-	-	-	1,938	1,938
Restricted	32,203	-	-	-	1,917,281	179,348	582,673	27,199	2,738,704
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	596,494	-	-	-	-	-	-	-	596,494
Total fund balance	<u>628,697</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,917,281</u>	<u>179,348</u>	<u>582,673</u>	<u>29,137</u>	<u>3,337,136</u>
Total liabilities and fund balance	<u>\$ 636,502</u>	<u>\$ 77,146</u>	<u>\$ -</u>	<u>\$ 29,239</u>	<u>\$1,917,281</u>	<u>\$ 179,348</u>	<u>\$ 582,673</u>	<u>\$ 53,246</u>	<u>\$ 3,475,435</u>

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

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

Statement 4

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

Total fund balances - governmental funds	\$ 3,337,136
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds

The cost of capital assets	16,905,332	
Accumulated depreciation	<u>(6,283,384)</u>	
		10,621,948

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

Deferred outflows of resources related to changes in proportion	475,178
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Deferred outflows of resources related to employer contributions subsequent to the measurement date	512,571
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Deferred inflows of resources related to actuarial experience	(156,131)
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Deferred inflows or resources related to investment experience	(37,908)
--	----------

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

Net pension liability	(8,421,742)
Bonds Payable	(4,115,000)
Accrued interest on bonds	(109,710)
Compensated absences payable	<u>(17,618)</u>

Total net position - governmental funds	<u>\$ 2,088,724</u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Statement of Revenues, Expenditures and Changes in
 Fund Balances - All Governmental Funds
 Year Ended June 30, 2016

Statement 5

	General	Title I	IDEA-B Entitlement	Special Local Government Road Fund	Bond Building	Capital Improvements SB-9	Debt Service	Other Governmental	Total
REVENUES									
Taxes	\$ 36,085	\$ -	\$ -	\$ -	\$ -	\$ 147,969	\$ 590,261	\$ -	\$ 774,315
Charges for services	2,218	-	-	-	-	-	-	63,121	65,339
Local sources	11,557	-	-	-	-	-	-	-	11,557
State sources	5,438,663	-	-	29,239	-	-	-	53,658	5,521,560
Federal sources	-	173,693	131,986	-	-	-	-	168,263	473,942
Earnings from investments	1,897	-	-	-	3,041	368	619	39	5,964
Total revenues	5,490,420	173,693	131,986	29,239	3,041	148,337	590,880	285,081	6,852,677
EXPENDITURES									
Current:									
Direct instruction	3,433,598	173,693	63,270	-	-	-	-	130,491	3,801,052
Instructional support	1,987,902	-	68,716	-	-	83,203	6,579	1,421	2,147,821
Food services	25,052	-	-	-	-	-	-	154,931	179,983
Capital outlay	44,527	-	-	29,239	85,760	24,863	-	-	184,389
Debt service:									
Bonds	-	-	-	-	-	-	280,000	-	280,000
Interest	-	-	-	-	-	-	96,087	-	96,087
Total expenditures	5,491,079	173,693	131,986	29,239	85,760	108,066	382,666	286,843	6,689,332
Excess (deficiency) revenues over expenditures	(659)	-	-	-	(82,719)	40,271	208,214	(1,762)	163,345
Other Financing Sources (Uses)									
Sale of bonds	-	-	-	-	2,000,000	-	-	-	2,000,000
Total other financing sources (uses)	-	-	-	-	2,000,000	-	-	-	2,000,000
Net change in fund balances	(659)	-	-	-	1,917,281	40,271	208,214	(1,762)	2,163,345
Fund balance beginning of year	629,356	-	-	-	-	139,077	374,459	30,899	1,173,791
Fund balance end of year	\$ 628,697	\$ -	\$ -	\$ -	\$ 1,917,281	\$ 179,348	\$ 582,673	\$ 29,137	\$ 3,337,136

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

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

Statement 6

Total net change in fund balances - governmental funds \$ 2,163,345

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

Capital outlays to purchase or build capital
 assets are reported in governmental funds as
 expenditures. However, for governmental
 activities those costs are shown in the statement
 of net assets and allocated over their estimated
 useful lives as annual depreciation expenses in the
 statement of activities. This is the amount by which
 depreciation exceeds capital outlays in the period

Depreciation expense	(566,496)	
Capital outlays	<u>184,389</u>	
Excess of depreciation expense over capital outlay		(382,107)

In the Statement of Activities, certain operating
 expenses are measured by the amounts incurred
 during the year. In the fund financial statements,
 however, expenditures are measured by the amount
 of financial resources used (essentially the amounts
 actually paid). The (increases) decreases in the
 liabilities for the year were:

Accrued interest payable		(23,646)
Compensated absences payable		(3,818)

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

Pension contributions		512,551
Pension expense		(728,563)

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

Proceeds of bond issue		(2,000,000)
Repayment of long-term debt		<u>280,000</u>

Change in net position of governmental activities \$ (182,231)

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

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 General Fund
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 34,332	\$ 34,332	\$ 37,951	\$ 3,619
Charges for services	-	-	2,218	2,218
Local sources	-	-	11,557	11,557
State sources	5,401,601	5,428,544	5,438,663	10,119
Federal sources	-	-	-	-
Earnings from investments	3,000	3,000	1,897	(1,103)
Total revenues	<u>\$ 5,438,933</u>	<u>\$ 5,465,876</u>	<u>\$ 5,492,286</u>	<u>\$ 26,410</u>
EXPENDITURES				
Current:				
Direct instruction	\$ 3,611,134	\$ 3,620,943	\$ 3,433,598	\$ 187,345
Instructional support	2,208,451	2,267,600	1,987,220	280,380
Food services	24,555	24,555	25,052	(497)
Capital outlay	173,500	173,500	44,527	128,973
Total expenditures	<u>\$ 6,017,640</u>	<u>\$ 6,086,598</u>	<u>\$ 5,490,397</u>	<u>\$ 596,201</u>
BUDGETED CASH BALANCE	<u>\$ 578,707</u>	<u>\$ 620,722</u>		

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

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Title I
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	<u>\$ 160,478</u>	<u>\$ 177,626</u>	<u>\$ 177,645</u>	<u>\$ 19</u>
Total revenues	<u>\$ 160,478</u>	<u>\$ 177,626</u>	<u>\$ 177,645</u>	<u>\$ 19</u>
EXPENDITURES				
Direct instruction	<u>\$ 160,478</u>	<u>\$ 177,626</u>	<u>\$ 173,693</u>	<u>\$ 3,933</u>
Total expenditures	<u>\$ 160,478</u>	<u>\$ 177,626</u>	<u>\$ 173,693</u>	<u>\$ 3,933</u>

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

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 IDEA-B Entitlement
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 117,293	\$ 151,777	\$ 175,651	\$ 23,874
Total revenues	<u>\$ 117,293</u>	<u>\$ 151,777</u>	<u>\$ 175,651</u>	<u>\$ 23,874</u>
EXPENDITURES				
Direct instruction	\$ 56,597	\$ 81,078	\$ 63,270	\$ 17,808
Instructional support	60,696	70,699	68,716	1,983
Total expenditures	<u>\$ 117,293</u>	<u>\$ 151,777</u>	<u>\$ 131,986</u>	<u>\$ 19,791</u>

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

STATE OF NEW MEXICO
TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
Statement of Fiduciary
Assets and Liabilities - Agency Funds
June 30, 2016

ASSETS	
Cash	<u>\$ 185,115</u>
Total Assets	<u><u>\$ 185,115</u></u>
LIABILITIES	
Deposits held for others	<u>\$ 185,115</u>
Total Liabilities	<u><u>\$ 185,115</u></u>

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

STATE OF NEW MEXICO
TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
Notes to Financial Statements
Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Texico Municipal School District No. 13(District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the District's accounting policies are described below.

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

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

A. Reporting Entity

The Texico Municipal School District No. 13 School Board was created under the provision of Chapter 22, Article 5, Paragraph 4, New Mexico Statutes 1978 to provide public education for the children within the District. The School Board is authorized to establish policies and regulations for its own government consistent with the laws of the State of New Mexico and the regulations of the State Board of Education and the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years.

Notes to Financial Statements (continued)

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The District also has no *component units* as defined by GASB Statement No. 14 as there are no other legally separate organizations for which the elected School Board members are financially accountable. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship.

B. Basis of Presentation

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

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

Governmental Funds

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

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

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

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

Capital Projects Fund - Special Local Government Road Fund - To account for resources received for the purpose of designing/construction of drain improvements, parking lot and bus lane improvements. Funds are from a Department of Transportation Grant.

Notes to Financial Statements (continued)

Capital Projects Funds - Bond Building - To account for resources received from the sale of general obligation bonds for the purpose of constructing and renovating school buildings.

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

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

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

Program Revenues

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.

Allocation of Indirect Expenses

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

Fund Financial Statements (FFS)

Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

Notes to Financial Statements (continued)

REVENUES

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

Entitlements and shared revenues (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

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

EXPENDITURES

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

OTHER FINANCING SOURCES (USES)

Transfers between funds are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, etc.) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Fiduciary Funds

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

D. Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device during the year.

Budgets for the General, Special Revenue, Debt Service and Capital Projects Funds are adopted on a basis inconsistent with accounting principles generally accepted in the United States of

Notes to Financial Statements (continued)

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

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

1. Prior to April 15, (unless a later date is fixed by the Superintendent of Public Instruction) the local school board submits to the School Budget Planning Unit (SBPU) of the New Mexico Department of Education an estimated budget for the school district for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State Department of Education (SDE) by the school district shall contain headings and details as prescribed by law.
2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
3. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
4. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBPU.
5. No school board or officer or employee of a school district shall make any expenditures or incur any obligation for the expenditure of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division, but this does not prohibit the transfer of funds between line items within a series of a budget.
6. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the SBPU.
7. Legal budget control for expenditures is by function.

Notes to Financial Statements (continued)

8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of Texico Municipal School District No. 13 has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflects the approved budget and amendments thereto.

E. Encumbrances

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

F. Assets, Liabilities and Fund Equity

1. **Cash & Cash Equivalents**

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

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

2. **Investments**

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

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

(b) Securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.

Notes to Financial Statements (continued)

(c) In contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investments.

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

3. Accounts Receivable

Accounts receivable are recorded in the various governmental funds. They consist of amounts receivable from local governments relating to various grant agreements and property taxes receivable.

Accounts receivable consist of the following:

	<u>General</u>	<u>Other Major</u>	<u>Other Governmental</u>	<u>Total</u>
Property taxes	\$ 307	\$ 6,164	\$ -	\$ 6,471
	<u>\$ 307</u>	<u>\$ 6,164</u>	<u>\$ -</u>	<u>\$ 6,471</u>

4. Inventories and Prepaid Items

Inventory in the Cafeteria Fund consists of purchased food and non-food items and United States Department of Agriculture (USDA) commodities. Commodities are shown at the USDA procurement cost. Costs are recorded as expenditures at the time individual inventory items are used (consumption method). Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

5. Capital Assets

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

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Land improvements	20-40 years
Buildings & building improvements	50 years
Auto/Vehicle	7-10 years
Office equipment	3-10 years
Computer equipment	3-20 years

GASB Statement 34 requires the recording and depreciation of infrastructure assets, which include roads, bridges, traffic signals, etc. The District did not own any infrastructure assets as of June 30.

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

6. Revenues not yet earned

The District reports revenues not yet earned on its Statement of Net Assets and fund balance sheet. Revenues not yet earned arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

7. Compensated Absences

It is the policy of Texico Municipal School District No. 13 to permit certain employees to accumulate a limited amount of earned but unused vacation, which will be paid to employees upon separation from the school districts' service. In governmental funds, the cost of vacations is recognized when payments are made to employees.

Notes to Financial Statements (continued)

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

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net assets.

8. Fund Balance

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

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

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

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the School District Board. Those committed amounts cannot be used for any other purpose unless the School District's Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to

Notes to Financial Statements (continued)

previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District's Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

9. Restricted Net Assets

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

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

Notes to Financial Statements (continued)

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

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

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

10. Deferred Inflows of Resources

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

11. Deferred Outflows of Resources

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

12. Interfund Transactions

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

Notes to Financial Statements (continued)

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

13. **Estimates**

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

14. **Pensions**

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

2. DEPOSITORY COLLATERAL

Citizens Bank of Clovis	Building Fund	Checking	\$ 49,072
Citizens Bank of Clovis	Investment	Checking	918,070
Citizens Bank of Clovis	Lunch Fund	Checking	20,347
Citizens Bank of Clovis	Federal	Checking	66,260
Citizens Bank of Clovis	Payroll	Checking	224,171
Citizens Bank of Clovis	Operational	Checking	491,241
Citizens Bank of Clovis	Activity	Checking	57,148
Citizens Bank of Clovis	Debt Service	Checking	1,372
Citizens Bank of Clovis	Payroll Tax		
	Account	Checking	<u>5,823</u>
			<u>\$ 1,833,504</u>
New Mexico Finance Authority			<u>\$ 1,920,834</u>
Cash on deposit			\$ 3,754,338
Less outstanding checks			(409,486)
Deposits in transit			46,301
Due from REC			-
Cash reported on financial statements			<u>\$ 3,391,153</u>

Notes to Financial Statements (continued)

Cash on deposit at June 30	\$ 1,833,504
Less F.D.I.C.	<u>(250,000)</u>
Uninsured Funds	1,583,504
50% Collateral Requirement	791,752
Pledged Collateral	<u>5,436,018</u>
Excess of Pledged Collateral	<u>\$ 4,644,266</u>

Custodial Credit Risk - Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk. As of June 30, \$1,583,504 of the School's bank balance of \$1,833,504 was exposed to custodial credit risk as follows:

A. Uninsured and uncollateralized	\$ -
B. Uninsured and collateralized with securities held by the pledging banks trust department, but not in the School's name	<u>1,583,504</u>
Total	<u>\$ 1,583,504</u>

The remaining \$-0- are comprised of amounts in excess of those required to be collateralized under State law.

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 cooperative for at least one half of the amount on deposit with the institution.

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

<u>The Independent Bankers Bank (Dallas, Texas)</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
SBAP	2012-20E 1	\$ 1,467,758
GNMA II Pool	CUSIP #82714	1,024,465
GNMA II Pool	CUSIP #82798	463,425
GNR	2013-70 JA	1,062,745
GNR	2012-20B 1	<u>1,417,625</u>
		<u>\$ 5,436,018</u>

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>
Checking accounts	<u>\$1,833,504</u>	Less than 6 months

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

Notes to Financial Statements (continued)

The amount held at the New Mexico Finance Authority totaling \$1,920,834 is collateralized within the NMFA guidelines. This information is not available by individual Agency but the financial statements for the NMFA are available by writing to New Mexico Finance Authority, 207 Shelby Street, Santa Fe, New Mexico 87501.

3. CAPITAL ASSETS

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

	Balance July 1, 2015	<u>Additions</u>	<u>Retirements</u>	Balance June 30, 2016
Governmental activities:				
Land	\$ 127,182	\$ -	\$ -	\$ 127,182
Land improvements	1,339,696	54,102	-	1,393,798
Buildings	9,983,388	-	-	9,983,388
Building improvements	4,076,874	130,286	-	4,207,160
Vehicles	578,174	-	-	578,174
Machinery & equipment	572,977	-	-	572,977
Total	<u>16,678,291</u>	<u>184,388</u>	<u>-</u>	<u>16,862,679</u>
Less accumulated depreciation:				
Land improvements	(538,261)	(79,984)	-	(618,245)
Buildings	(3,504,673)	(264,808)	-	(3,769,481)
Building improvements	(885,648)	(172,297)	-	(1,057,945)
Vehicles	(290,523)	(18,063)	-	(308,586)
Machinery & equipment	(455,129)	(31,344)	-	(486,473)
Total	<u>(5,674,234)</u>	<u>(566,496)</u>	<u>-</u>	<u>(6,240,730)</u>
Governmental activities Capital assets, net	<u>\$ 11,004,057</u>	<u>\$ (382,108)</u>	<u>\$ -</u>	<u>\$ 10,621,949</u>

The District has no infrastructure as of June 30. Depreciation expense was charged to governmental activities as follows.

Unallocated	\$ 566,496
Total depreciation expense	<u>\$ 566,496</u>

4. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

During the year ended June 30, the following changes occurred in the liabilities reported in the District-Wide Statement of Net Assets:

	Balance June 30, 2015	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2016	Due Within One Year
2002 GO Bonds	\$ 160,000	\$ -	\$ 160,000	\$ -	\$ -
2009 GO Bonds	1,610,000	-	50,000	1,560,000	200,000
2010 GO Bonds	625,000	-	70,000	555,000	95,000
2015 GO Bonds	-	2,000,000	-	2,000,000	175,000
Compensated Absences	13,799	3,818	-	17,617	-
Total	<u>\$ 2,408,799</u>	<u>\$ 2,003,818</u>	<u>\$ 280,000</u>	<u>\$ 4,132,617</u>	<u>\$ 470,000</u>

Payments on the general obligation bonds are made by the debt service funds. The compensated absences liability will ultimately be liquidated by several of the Districts governmental funds, with most being paid by the General Fund, Transportation Fund, Cafeteria Fund and Title I Fund.

Notes to Financial Statements (continued)

B. General Obligation Bonds

The general obligation bonds will be paid from taxes levied against property owners living within the School District boundaries. The School District has pledged future property taxes to repay the outstanding. Total annual principal and interest payments for all General Obligation Bonds are expected to require 100% of gross revenue in the Debt Service Fund. The annual requirements to retire general obligation bonds as of June 30, are as follows:

Date of issue - January 1, 2009
 Original amount - \$1,900,000
 Interest rate - 3.55% to 5.40%

<u>Due in Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 200,000	\$ 56,915	\$ 256,915
2018	200,000	49,565	249,565
2019	230,000	41,760	271,760
2020	250,000	32,692	282,692
2021	340,000	21,080	361,080
2022	340,000	7,140	347,140
Total	<u>\$ 1,560,000</u>	<u>\$ 209,152</u>	<u>\$ 1,769,152</u>

Date of issue - December 4, 2009
 Original amount - \$900,000
 Interest rate - .81% to 3.18%

<u>Due in Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 95,000	\$ 14,132	\$ 109,132
2018	90,000	11,845	101,845
2019	90,000	9,521	99,521
2020	90,000	7,072	97,072
2021	90,000	4,468	94,468
2022	50,000	2,360	52,360
2023	50,000	795	50,795
Total	<u>\$ 555,000</u>	<u>\$ 50,193</u>	<u>\$ 605,193</u>

Date of issue - September 11, 2015
 Original amount - \$2,000,000
 Interest rate - 0.360% to 2.920%

<u>Due in Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 175,000	\$ 38,663	\$ 213,663
2018	160,000	37,327	197,327
2019	65,000	36,146	101,146
2020	65,000	35,278	100,278
2021	10,000	34,727	44,727
2022	25,000	34,396	59,396
2023	225,000	31,601	256,601
2024	225,000	26,336	251,336
2025	225,000	20,768	245,768
2026	225,000	14,918	239,918
2027	200,000	9,080	209,080
2028	200,000	3,220	203,220
2029	200,000	100	200,100
Total	<u>\$ 2,000,000</u>	<u>\$ 322,560</u>	<u>\$ 2,322,560</u>

Notes to Financial Statements (continued)

C. Operating Leases

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

D. Short-Term Liabilities

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

5. REVENUES

A. Property Tax Levies

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

B. State Equalization Guarantee

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

A school district's program costs are determined through the use of various formulas using "program units" which take into consideration (1) early childhood education; (2) basic education; (3) special education; (4) bilingual-multicultural education; (5) size, etc. Payment is made from the public school fund under the authority of the chief (director of public school finance). The District received \$5,137,327 in state equalization guarantee distributions during the fiscal year.

C. Transportation Distribution

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

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

Notes to Financial Statements (continued)

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

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

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

The District received \$235,452 in transportation distribution during the fiscal year.

D. SB-9 State Match

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

The District received \$0 in state SB-9 matching during the fiscal year.

E. Public School Capital Outlay

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

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

1. A critical need exists requiring action;
2. The residents of the school district have provided all available resources to the district to meet its capital outlay requirements;

Notes to Financial Statements (continued)

3. The school district has used its resources in a prudent manner.
4. The District is in a county or counties which have participated in the reappraisal program and the reappraised values are on the tax rolls, or will be used for the tax year 1979 as certified by the property tax division; and
5. The school district has provided insurance for buildings of the school district in accordance with the provisions of Section 13-5-3 NMSA 1978.

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

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

During the fiscal year the District received \$0 in Critical Capital Outlay Funds and \$37,812 in Special Capital Outlay Funds.

F. Instructional Materials

The New Mexico State Department of Education (Department) received federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. Beginning with the fiscal year ended June 30, 2009, Districts received their total allocation at the beginning of the fiscal year, instead of being reimbursed for purchases as was done in the prior year. During the fiscal year the District received \$37,387 in instructional materials allocation.

G. Federal Grants

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

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

6. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and Workmens Compensation. For these risks of loss, the School District belongs to a public entity risk pool currently operated as a common risk management and insurance program for 89 member School Districts. (New Mexico Public School Insurance Authority). Amounts of settlement have not exceeded insurance coverage in the past three years.

7. REGION VI EDUCATION COOPERATIVE

Certain special revenue (federal funds of the district were administered by the Region VI Education Cooperative, in Clovis, New Mexico. These funds are audited separately by another IPA. That report may be obtained by writing to: Region VI Education Cooperative, 3001 N. Prince Street, Clovis, New Mexico 88101.

8. DUE FROM GRANTOR

The amount shown as due from grantor represents federal, state and local expenditures in excess of revenues. Most federal, state or local projects earn revenue as expenditures are incurred and are subsequently reimbursed by the grantor.

9. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

	<u>General</u>	<u>Title I</u>	<u>IDEA-B Entitlement</u>	<u>Special Local Government Road</u>
Revenues per modified accrual basis	\$ 5,490,420	\$ 173,693	\$ 131,986	\$ 29,239
Receivables	1,866	-	-	-
Deferred revenues/Due from grantor	-	3,952	43,665	(29,239)
Revenues per budgetary basis	<u>\$ 5,492,286</u>	<u>\$ 177,645</u>	<u>\$ 175,651</u>	<u>\$ -</u>
Expenditures per modified accrual basis	\$ 5,491,079	\$ 173,693	\$ 131,986	\$ 29,239
Accounts payable	(682)	-	-	-
Expenditures per budgetary basis	<u>\$ 5,490,397</u>	<u>\$ 173,693</u>	<u>\$ 131,986</u>	<u>\$ 29,239</u>
	<u>Bond Building</u>	<u>Capital Improvements SB-9</u>	<u>Debt Service</u>	<u>Non-Major Special Revenue</u>
Revenues per modified accrual basis	\$ 3,041	\$ 148,337	\$ 590,880	\$ 285,081
Receivables	-	7,478	17,608	-
Deferred revenues/Due from grantor	-	-	-	28,777
Revenues per budgetary basis	<u>\$ 3,041</u>	<u>\$ 155,815</u>	<u>\$ 608,488</u>	<u>\$ 313,858</u>
Expenditures per modified accrual basis	\$ 85,760	\$ 108,066	\$ 382,666	\$ 286,843
Inventory changes	-	-	-	(1,149)
Expenditures per budgetary basis	<u>\$ 85,760</u>	<u>\$ 108,066</u>	<u>\$ 382,666</u>	<u>\$ 285,694</u>

10. PENSION-PLAN - EDUCATIONAL RETIREMENT BOARD

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

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

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

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

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after that date is as follows: the member's age and earned service credit add up to the sum of 80 or more; the member is at least sixty-seven years of age and has five or more years of earned service credit; or the member has service credit totaling 30 years or more.

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

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal to one-half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, the COLA would equal the change in the CPI, but never less than zero. As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was based on the median retirement benefit of all retirees excluding disability

retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

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

Contributions. The contribution requirements of defined benefit plan members and the school district are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2014 employers contributed 13.15% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.10% of their gross annual salary. For fiscal year ended June 30, 2015 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. For fiscal year ended June 30, 2016 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their annual salary. Contributions to the pension plan from the School District were \$512,571 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015. At June 30, 2016, the School District reported a liability of \$8,421,742 for its proportionate share of the net pension liability. The school district's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2015. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2015, the School District's proportion was 0.13002 percent, which was an increase of 0.00577 from its proportion measured as of June 30, 2014.

Notes to Financial Statements (continued)

For the year ended June 30, 2015, the School District recognized pension expense of \$728,570. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 156,131
Changes of assumptions	289,669	-
Reallocation	33,750	-
Net difference between projected and actual earnings on pension plan investments	-	37,908
Changes in proportion and differences between the school district contributions and proportionate share of contributions	151,759	-
School district's contributions subsequent to the measurement date	<u>512,571</u>	<u>-</u>
Total	<u>\$ 987,749</u>	<u>\$ 194,039</u>

The \$512,571 is reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

Year ended June 30:

2017	\$ 72,720
2018	67,638
2019	23,810
2020	116,970
2021	-

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

1. All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 and 10.7% thereafter.

Notes to Financial Statements (continued)

2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on July 12, 2015 in conjunction with the six-year experience study period ending June 30, 2014.

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized - closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	90% of RP-2000 Combined Mortality Table with White Collar Adjustment projected to 2014 using Scale AA (one year setback for females)

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

Notes to Financial Statements (continued)

<u>Asset Class</u>	2015	2016
	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.50%	1.50%
Treasuries	2.00%	2.00%
IG Corp Credit	3.50%	3.50%
MBS	2.25%	2.25%
Core Bonds	2.53%	2.53%
TIPS	2.50%	2.50%
High Yield Bonds	4.50%	4.50%
Bank Loans	5.00%	5.00%
Global Bonds (Unhedged)	1.25%	1.25%
Global Bonds (Hedged)	1.38%	1.38%
EMD External	5.00%	5.00%
EMD Local Currency	5.75%	5.75%
Large Cap Equities	6.25%	6.25%
Small/Mid Cap	6.25%	6.25%
International Equities (Unhedged)	7.25%	7.25%
International Equities (Hedged)	7.50%	7.50%
Emerging International Equities	9.50%	9.50%
Private Equity	8.75%	8.75%
Private Debt	8.00%	8.00%
Private Real Assets	7.75%	7.75%
Real Estate	6.25%	6.25%
Commodities	5.00%	5.00%
Hedge Funds Low Vol	5.50%	5.50%
Hedge Funds Mod Vol	5.50%	5.50%

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School district's proportionate share of the net pension liability	\$11,332,016	\$ 8,421,742	\$ 5,976,808

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

Payables to the pension plan. The School District remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2016 the School District owed the ERB \$25,118 for the contributions withheld in the month of June 2016.

11. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

Plan Description. Texico Municipal School District No. 13 contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

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

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

Notes to Financial Statements (continued)

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

The Texico Municipal School District No. 13's contributions to the RHCA for the years ended June 30, 2016, 2015 and 2014 were \$73,751, \$73,922 and \$71,247, respectively, which equal the required contributions for each year.

12. BUDGETED ACTIVITY FUNDS

The Student Activity Funds, while budgeted under Non-Instructional Support in the financial statements, are considered for reporting purposes as Agency Funds. These monies are retained by the District in a fiduciary capacity. Monies are received from student groups and are expended for purposes determined by the students within guidelines established by the District. The changes in those balances follow:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
ASSETS				
Cash and cash equivalent	\$ 161,302	\$ 322,350	\$ 298,537	\$ 185,115
Total assets	<u>\$ 161,302</u>	<u>\$ 322,350</u>	<u>\$ 298,537</u>	<u>\$ 185,115</u>
LIABILITIES				
Deposits held for others				
Elementary	\$ 10,723	\$ 19,855	\$ 17,445	\$ 13,133
Junior High	6,554	12,190	10,780	7,964
High School	<u>144,025</u>	<u>290,305</u>	<u>270,312</u>	<u>164,018</u>
Total liabilities	<u>\$ 161,302</u>	<u>\$ 322,350</u>	<u>\$ 298,537</u>	<u>\$ 185,115</u>

13. CONCENTRATIONS

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

14. FUND BALANCES CLASSIFIED

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

<u>Fund Balances</u>	General Fund	Bond Building	Capital Improvements SB-9	Debt Service	Non-Major Governmental Fund	Totals
<u>Nonspendable:</u>						
Interfund loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	-	1,938	1,938
Total nonspendable	-	-	-	-	1,938	1,938
<u>Restricted for:</u>						
Transportation services	-	-	-	-	-	-
Instructional materials	29,083	-	-	-	-	29,083
Capital improvements	-	1,917,281	179,348	-	-	2,096,629
Debt service payments	-	-	-	582,673	-	582,673
Athletic services	-	-	-	-	6,852	6,852
Special grants	-	-	-	-	-	-
Cafeteria services	-	-	-	-	20,347	20,347
State mandated cash reserve	3,120	-	-	-	-	3,120
Total restricted	32,203	1,917,281	179,348	582,673	27,199	2,738,704
<u>Committed to:</u>						
Other purposes	-	-	-	-	-	-
Total committed	-	-	-	-	-	-
<u>Unassigned:</u>	596,494	-	-	-	-	596,494
Total Fund Balances	<u>\$ 628,697</u>	<u>\$ 1,917,281</u>	<u>\$ 179,348</u>	<u>\$ 582,673</u>	<u>\$ 29,137</u>	<u>\$ 3,337,136</u>

**OTHER MAJOR FUNDS
BUDGETS**

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Special Local Government Road Fund
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Capital outlay	\$ -	\$ -	\$ 29,239	\$ (29,239)
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,239</u>	<u>\$ (29,239)</u>

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

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Bond Building
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Earnings from investments	\$ 10,000	\$ 10,000	\$ 3,041	\$ (6,959)
Total revenues	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 3,041</u>	<u>\$ (6,959)</u>
EXPENDITURES				
Capital outlay	\$2,010,000	\$ 2,010,000	\$ 85,760	\$ 1,924,240
Total expenditures	<u>\$2,010,000</u>	<u>\$ 2,010,000</u>	<u>\$ 85,760</u>	<u>\$ 1,924,240</u>
OTHER FINANCING SOURCES				
Bond proceeds	\$2,000,000	\$ 2,000,000	\$ 2,000,000	\$ -
Total other financing sources	<u>\$2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Capital Improvements SB-9
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 140,844	\$ 140,844	\$ 155,447	\$ 14,603
State sources	65,417	120,128	-	(120,128)
Earnings from investments	<u>500</u>	<u>500</u>	<u>368</u>	<u>(132)</u>
Total revenues	<u>\$ 206,761</u>	<u>\$ 261,472</u>	<u>\$ 155,815</u>	<u>\$ (105,657)</u>
EXPENDITURES				
Capital outlay	<u>\$ 266,473</u>	<u>\$ 391,763</u>	<u>\$ 108,066</u>	<u>\$ 283,697</u>
Total expenditures	<u>\$ 266,473</u>	<u>\$ 391,763</u>	<u>\$ 108,066</u>	<u>\$ 283,697</u>
BUDGETED CASH BALANCE	<u>\$ 59,712</u>	<u>\$ 130,291</u>		

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

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Debt Service Fund
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 391,946	\$ 391,946	\$ 607,869	\$ 215,923
Earnings from investments	<u>400</u>	<u>400</u>	<u>619</u>	<u>219</u>
Total revenues	<u>\$ 392,346</u>	<u>\$ 392,346</u>	<u>\$ 608,488</u>	<u>\$ 216,142</u>
EXPENDITURES				
Instructional support	\$ 7,500	\$ 7,500	\$ 6,579	\$ 921
Bonds paid	280,000	280,000	280,000	-
Coupons paid	<u>111,946</u>	<u>111,946</u>	<u>96,087</u>	<u>15,859</u>
Total expenditures	<u>\$ 399,446</u>	<u>\$ 399,446</u>	<u>\$ 382,666</u>	<u>\$ 16,780</u>
BUDGETED CASH BALANCE	<u>\$ 7,100</u>	<u>\$ 7,100</u>		

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

NON-MAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Non-Major Governmental Funds
 Combining Balance Sheet - By Fund Type
 June 30, 2016

Statement A-1

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
ASSETS			
Cash on deposit	\$ 27,199	\$ -	\$ 27,199
Due from grantor	24,109	-	24,109
Inventory, at cost	<u>1,938</u>	<u>-</u>	<u>1,938</u>
Total assets	<u>\$ 53,246</u>	<u>\$ -</u>	<u>\$ 53,246</u>
LIABILITIES			
Cash overdrafts	<u>\$ 24,109</u>	<u>\$ -</u>	<u>\$ 24,109</u>
Total liabilities	<u>24,109</u>	<u>-</u>	<u>24,109</u>
FUND BALANCES			
Nonspendable	1,938	-	1,938
Restricted	<u>27,199</u>	<u>-</u>	<u>27,199</u>
Total fund balance	<u>29,137</u>	<u>-</u>	<u>29,137</u>
Total liabilities and fund balance	<u>\$ 53,246</u>	<u>\$ -</u>	<u>\$ 53,246</u>

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

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Non-Major Governmental Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances - By Fund Type
 Year Ended June 30, 2016

	Special Revenue Funds	Capital Projects Funds	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes	\$ -	\$ -	\$ -
Charges for services	63,121	-	63,121
Local sources	-	-	-
State sources	53,658	-	53,658
Federal sources	168,263	-	168,263
Earnings from investments	39	-	39
	<u> </u>	<u> </u>	<u> </u>
Total revenues	285,081	-	285,081
EXPENDITURES			
Direct instruction	130,491	-	130,491
Instructional support	1,421	-	1,421
Food service	154,931	-	154,931
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	286,843	-	286,843
Net change in fund balance	(1,762)	-	(1,762)
Fund balance at beginning of year	<u>30,899</u>	<u>-</u>	<u>30,899</u>
Fund balance at end of year	<u>\$ 29,137</u>	<u>\$ -</u>	<u>\$ 29,137</u>

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

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Combined Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Special Revenue Funds
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 66,255	\$ 66,255	\$ 63,121	\$ (3,134)
Local sources	-	-	-	-
State sources	50,000	53,658	51,722	(1,936)
Federal Sources	168,185	216,003	161,164	(54,839)
Earnings from investments	<u>61</u>	<u>61</u>	<u>39</u>	<u>(22)</u>
Total revenues	<u>\$ 284,501</u>	<u>\$ 335,977</u>	<u>\$ 276,046</u>	<u>\$ (59,931)</u>
EXPENDITURES				
Direct instruction	\$ 124,366	\$ 171,056	\$ 130,491	\$ 40,565
Instructional support	-	4,786	1,421	3,365
Food services	<u>178,496</u>	<u>178,496</u>	<u>153,782</u>	<u>24,714</u>
Total expenditures	<u>\$ 302,862</u>	<u>\$ 354,338</u>	<u>\$ 285,694</u>	<u>\$ 68,644</u>
BUDGETED CASH BALANCE	<u>\$ 18,361</u>	<u>\$ 18,361</u>		

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

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Combined Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Capital Projects Funds
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ -	\$ 37,812	\$ 37,812
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,812</u>	<u>\$ 37,812</u>
EXPENDITURES				
Capital outlay	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

NON-MAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

SCHOOL LUNCH FUND - This program provides financing for school hot lunch program. Funding is provided from fees from patrons and USDA food reimbursements, under the National School Lunch Act of 1946, as amended, Public Law 79-396, Sections 2-12, 60 Stat. 230, 42 U.S.C. 1751 et seq.; 80 Stat. 889, as amended; 84 Stat. 270; and the Child Nutrition Act of 1966, as amended, Sections 4 and 10. Public Law 89-642, 80 Stat. 886, 889, 42 U.S.C. 1773, 1779; Public Law 99-591, 100 Stat. 3341; Public Law 100-71, 101 Stat. 430. Also State Law NMSA 22-13-13.

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Non-Major Special Revenue Funds
 Combining Balance Sheet
 June 30, 2016

Statement B-1

	IDEA-B Preschool	IDEA-B "Risk Pool"	REAP	Improving Teacher Quality	Dual Credit	Read2Lead	Athletics	Cafeteria	Totals
ASSETS									
Cash on deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,852	\$ 20,347	\$ 27,199
Due from grantor	2,073	-	-	12,105	549	9,382	-	-	24,109
Accounts receivable	-	-	-	-	-	-	-	-	-
Inventory, at cost	-	-	-	-	-	-	-	1,938	1,938
Total assets	<u>\$ 2,073</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,105</u>	<u>\$ 549</u>	<u>\$ 9,382</u>	<u>\$ 6,852</u>	<u>\$ 22,285</u>	<u>\$ 53,246</u>
LIABILITIES									
Cash overdraft	\$ 2,073	\$ -	\$ -	\$ 12,105	\$ 549	\$ 9,382	\$ -	\$ -	\$ 24,109
Accounts payable	-	-	-	-	-	-	-	-	-
Total liabilities	<u>2,073</u>	<u>-</u>	<u>-</u>	<u>12,105</u>	<u>549</u>	<u>9,382</u>	<u>-</u>	<u>-</u>	<u>24,109</u>
FUND BALANCES									
Nonspendable	-	-	-	-	-	-	-	1,938	1,938
Restricted	-	-	-	-	-	-	6,852	20,347	27,199
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,852</u>	<u>22,285</u>	<u>29,137</u>
Total liabilities and fund balances	<u>\$ 2,073</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,105</u>	<u>\$ 549</u>	<u>\$ 9,382</u>	<u>\$ 6,852</u>	<u>\$ 22,285</u>	<u>\$ 53,246</u>

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

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Non-Major Special Revenue Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 Year Ended June 30, 2016

Statement B-2

	IDEA-B Preschool	IDEA-B "Risk Pool"	REAP	Improving Teacher Quality	Dual Credit	Read2Lead	Athletics	Cafeteria	Totals
REVENUES									
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,776	\$ 27,345	\$ 63,121
Local sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	3,658	50,000	-	-	53,658
Federal sources	8,926	112	17,269	13,172	-	-	-	128,784	168,263
Earnings from investments	-	-	-	-	-	-	39	-	39
Total revenues	<u>8,926</u>	<u>112</u>	<u>17,269</u>	<u>13,172</u>	<u>3,658</u>	<u>50,000</u>	<u>35,815</u>	<u>156,129</u>	<u>285,081</u>
EXPENDITURES									
Direct instruction	8,755	-	16,131	13,172	3,658	50,000	38,775	-	130,491
Instructional support	171	112	1,138	-	-	-	-	-	1,421
Food service	-	-	-	-	-	-	-	154,931	154,931
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenditures	<u>8,926</u>	<u>112</u>	<u>17,269</u>	<u>13,172</u>	<u>3,658</u>	<u>50,000</u>	<u>38,775</u>	<u>154,931</u>	<u>286,843</u>
Net change in fund balance	-	-	-	-	-	-	(2,960)	1,198	(1,762)
Fund balance at beginning of	-	-	-	-	-	-	9,812	21,087	30,899
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,852</u>	<u>\$ 22,285</u>	<u>\$ 29,137</u>

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

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Non-Major Special Revenue Fund - IDEA-B Preschool
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Federal sources	\$ 8,859	\$ 10,227	\$ 6,853	\$ (3,374)
Total revenues	<u>\$ 8,859</u>	<u>\$ 10,227</u>	<u>\$ 6,853</u>	<u>\$ (3,374)</u>
EXPENDITURES				
Direct instruction	\$ 8,859	\$ 10,053	\$ 8,755	\$ 1,298
Instructional support	-	174	171	3
Total expenditures	<u>\$ 8,859</u>	<u>\$ 10,227</u>	<u>\$ 8,926</u>	<u>\$ 1,301</u>
REVENUES				
Budgetary basis			\$ 6,853	
Increase in due from grantor			<u>2,073</u>	
Modified accrual basis			<u>\$ 8,926</u>	

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

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Non-Major Special Revenue Fund - IDEA-B "Risk Pool"
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Federal sources	\$ -	\$ 112	\$ 234	\$ 122
Total revenues	<u>\$ -</u>	<u>\$ 112</u>	<u>\$ 234</u>	<u>\$ 122</u>
EXPENDITURES				
Instructional support	\$ -	\$ 112	\$ 112	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 112</u>	<u>\$ 112</u>	<u>\$ -</u>
REVENUES				
Budgetary basis			\$ 234	
(Decrease) in due from grantor			<u>(122)</u>	
Modified accrual basis			<u>\$ 112</u>	

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

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Non-Major Special Revenue Fund - REAP
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ 38,758	\$ 17,269	\$ (21,489)
Total revenues	<u>\$ -</u>	<u>\$ 38,758</u>	<u>\$ 17,269</u>	<u>\$ (21,489)</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 34,258	\$ 16,131	\$ 18,127
Instructional support	-	4,500	1,138	3,362
Total expenditures	<u>\$ -</u>	<u>\$ 38,758</u>	<u>\$ 17,269</u>	<u>\$ 21,489</u>

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

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Non-Major Special Revenue Fund - Improving Teacher Quality
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Federal sources	\$ 22,003	\$ 29,583	\$ 8,024	\$ (21,559)
Total revenues	<u>\$ 22,003</u>	<u>\$ 29,583</u>	<u>\$ 8,024</u>	<u>\$ (21,559)</u>
EXPENDITURES				
Direct instruction	\$ 22,003	\$ 29,583	\$ 13,172	\$ 16,411
Total expenditures	<u>\$ 22,003</u>	<u>\$ 29,583</u>	<u>\$ 13,172</u>	<u>\$ 16,411</u>
REVENUES				
Budgetary basis			\$ 8,024	
Increase in due from grantor			<u>5,148</u>	
Modified accrual basis			<u>\$ 13,172</u>	

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

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Non-Major Special Revenue Fund - Dual Credit
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
State sources	\$ -	\$ 3,658	\$ 3,523	\$ (135)
Total revenues	<u>\$ -</u>	<u>\$ 3,658</u>	<u>\$ 3,523</u>	<u>\$ (135)</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 3,658	\$ 3,658	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 3,658</u>	<u>\$ 3,658</u>	<u>\$ -</u>
REVENUES				
Budgetary basis			\$ 3,523	
Increase in due from grantor			<u>135</u>	
Modified accrual basis			<u>\$ 3,658</u>	

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

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Non-Major Special Revenue Fund - Read2Lead
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
State sources	\$ 50,000	\$ 50,000	\$ 48,199	\$ (1,801)
Total revenues	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 48,199</u>	<u>\$ (1,801)</u>
EXPENDITURES				
Direct Instruction	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Total expenditures	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>
REVENUES				
Budgetary basis			\$ 48,199	
Increase in due from grantor			<u>1,801</u>	
Modified accrual basis			<u>\$ 50,000</u>	

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

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Non-Major Special Revenue Fund - Athletics
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 35,000	\$ 35,000	\$ 35,776	\$ 776
Earnings from investments	<u>61</u>	<u>61</u>	<u>39</u>	<u>(22)</u>
Total revenues	<u>\$ 35,061</u>	<u>\$ 35,061</u>	<u>\$ 35,815</u>	<u>\$ 754</u>
EXPENDITURES				
Direct Instruction	\$ 43,504	\$ 43,504	\$ 38,775	\$ 4,729
Total expenditures	<u>\$ 43,504</u>	<u>\$ 43,504</u>	<u>\$ 38,775</u>	<u>\$ 4,729</u>
BUDGETED CASH BALANCE	<u>\$ 8,443</u>	<u>\$ 8,443</u>		

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

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Non-Major Special Revenue Fund - Cafeteria
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 31,255	\$ 31,255	\$ 27,345	\$ (3,910)
Federal Sources	137,323	137,323	128,784	(8,539)
Earnings from investments	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Total revenues	<u>\$ 168,578</u>	<u>\$ 168,578</u>	<u>\$ 156,129</u>	<u>\$ (12,449)</u>
EXPENDITURES				
Food services	<u>\$ 178,496</u>	<u>\$ 178,496</u>	<u>\$ 153,782</u>	<u>\$ 24,714</u>
Total expenditures	<u>\$ 178,496</u>	<u>\$ 178,496</u>	<u>\$ 153,782</u>	<u>\$ 24,714</u>
BUDGETED CASH BALANCE	<u>\$ 9,918</u>	<u>\$ 9,918</u>		
EXPENDITURES				
Budgetary basis			\$ 153,782	
Decrease in inventory			<u>1,149</u>	
Modified accrual basis			<u>\$ 154,931</u>	

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

NON-MAJOR CAPITAL OUTLAY FUND

SPECIAL CAPITAL OUTLAY STATE - To account for resources received from a New Mexico Department of Transportation Agreement for the Design of a Parking Lot at the School.

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Non-Major Capital Projects Fund
 Combining Balance Sheet
 June 30, 2016

Statement C-1

		Special Capital Outlay State	
ASSETS			
Cash on deposit	\$	-	
Due from grantor		-	
Total assets	\$	-	
LIABILITIES			
Accounts payable	\$	-	
Total liabilities		-	
FUND BALANCE			
Restricted		-	
Total fund balance		-	
Total liabilities and fund balance	\$	-	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Non-Major Capital Projects Fund
 Combining Statement of Revenues, Expenditures and Changes in
 Fund Balances - All Governmental Funds
 Year Ended June 30, 2016

Statement C-2

		Special Capital Outlay State
REVENUES		
Taxes	\$	-
Charges for services		-
Local sources		-
State sources		-
Federal sources		-
Earnings from investments		-
Total revenues		-
EXPENDITURES		
Capital outlay		-
Total expenditures		-
Net change in fund balances		-
Fund balance beginning of year		-
Fund balance end of year	\$	-

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

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Statement of Revenue and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Special Capital Outlay State
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ -	\$ 37,812	\$ 37,812
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,812</u>	<u>\$ 37,812</u>
EXPENDITURES				
Capital outlay	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

GENERAL FUND

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

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

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

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Combining Balance Sheet
 General Fund
 June 30, 2016

Statement D-1

	Operational	Transportation	Instructional Materials	Total
ASSETS				
Cash on deposit	\$ 607,112	\$ -	\$ 29,083	\$ 636,195
Accounts receivable, collectible	307	-	-	307
Total assets	\$ 607,419	\$ -	\$ 29,083	\$ 636,502
LIABILITIES				
Accounts payable	\$ 7,805	\$ -	\$ -	\$ 7,805
Total liabilities	7,805	-	-	7,805
FUND BALANCES				
Restricted	3,120	-	29,083	32,203
Unassigned	596,494	-	-	596,494
Total fund balance	599,614	-	29,083	628,697
Total liabilities and fund balance	\$ 607,419	\$ -	\$ 29,083	\$ 636,502

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

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 General Fund
 Year Ended June 30, 2016

	Operational	Transportation	Instructional Materials	Total
REVENUES				
Taxes	\$ 36,085	\$ -	\$ -	\$ 36,085
Charges for services	2,218	-	-	2,218
Local sources	11,557	-	-	11,557
State sources	5,165,824	235,452	37,387	5,438,663
Federal sources	-	-	-	-
Earnings from investments	1,897	-	-	1,897
Total revenues	5,217,581	235,452	37,387	5,490,420
EXPENDITURES				
Direct instruction	3,422,049	-	11,549	3,433,598
Instructional support	1,752,450	235,452	-	1,987,902
Food service	25,052	-	-	25,052
Capital outlay	44,527	-	-	44,527
Total expenditures	5,244,078	235,452	11,549	5,491,079
Net change in fund balance	(26,497)	-	25,838	(659)
Fund balance at beginning of year	626,111	-	3,245	629,356
Fund balance at end of year	\$ 599,614	\$ -	\$ 29,083	\$ 628,697

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

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 General Fund - Operational Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 34,332	\$ 34,332	\$ 37,951	\$ 3,619
Charges for services	-	-	2,218	2,218
Local sources	-	-	11,557	11,557
State sources	5,127,209	5,155,705	5,165,824	10,119
Federal sources	-	-	-	-
Earnings from investments	3,000	3,000	1,897	(1,103)
Total revenues	<u>\$ 5,164,541</u>	<u>\$ 5,193,037</u>	<u>\$ 5,219,447</u>	<u>\$ 26,410</u>
EXPENDITURES				
Direct instruction	\$ 3,580,311	\$ 3,580,311	\$ 3,422,049	\$ 158,262
Instructional support	1,964,882	2,032,148	1,751,768	280,380
Food services	24,555	24,555	25,052	(497)
Capital outlay	173,500	173,500	44,527	128,973
Total expenditures	<u>\$ 5,743,248</u>	<u>\$ 5,810,514</u>	<u>\$ 5,243,396</u>	<u>\$ 567,118</u>
BUDGETED CASH BALANCE	<u>\$ 578,707</u>	<u>\$ 617,477</u>		

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

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 General Fund - Transportation Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	243,569	235,452	235,452	-
Federal sources	-	-	-	-
Earnings from investment	-	-	-	-
 Total revenues	 <u>\$ 243,569</u>	 <u>\$ 235,452</u>	 <u>\$ 235,452</u>	 <u>\$ -</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	243,569	235,452	235,452	-
Food services	-	-	-	-
Capital outlay	-	-	-	-
 Total expenditures	 <u>\$ 243,569</u>	 <u>\$ 235,452</u>	 <u>\$ 235,452</u>	 <u>\$ -</u>
 BUDGETED CASH BALANCE	 <u>\$ -</u>	 <u>\$ -</u>		

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

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 General Fund - Instructional Materials Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	30,823	37,387	37,387	-
Federal sources	-	-	-	-
Earnings from investment:	-	-	-	-
 Total revenues	 <u>\$ 30,823</u>	 <u>\$ 37,387</u>	 <u>\$ 37,387</u>	 <u>\$ -</u>
EXPENDITURES				
Direct instruction	\$ 30,823	\$ 40,632	\$ 11,549	\$ 29,083
Instructional support	-	-	-	-
Food services	-	-	-	-
Capital outlay	-	-	-	-
 Total expenditures	 <u>\$ 30,823</u>	 <u>\$ 40,632</u>	 <u>\$ 11,549</u>	 <u>\$ 29,083</u>
 BUDGETED CASH BALANCE	 <u>\$ -</u>	 <u>\$ 3,245</u>		

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2015</u>
Texico Municipal School District's proportion of net pension liability (asset)	0.13002
Texico Municipal School District's proportionate share of the net pension liability (asset)	\$ 8,421,729
Texico Municipal School District's covered-employee payroll	\$ 3,549,963
Texico Municipal School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	207%
Plan fiduciary net position as a percentate of the total pension liability	66.54%

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

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

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

	2016
Contractually required contributions	\$ 512,571
Contributions in relation to the contractually required Contribution	512,571
Contribution deficiency (excess)	\$ -
Texico Municipal School District's covered-employee payroll	\$ 3,687,560
Contribution as a percentage of covered-employee payroll	13.90%

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

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

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

Changes in benefit terms.

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

Changes of assumptions.

1. Fiscal year 2015 valuation assumptions that changed based on this study:
 - a. Lower wage inflation from 4.25% to 3.75%
 - b. Minor changes to demographic assumptions
 - c. Remove population growth assumptions for projections

2. Assumptions that were not changed:
 - a. Investment return will remain at 7.75%
 - b. Inflation will remain at 3.00%
 - c. Maintain payroll growth at 3.50%

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

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 TEXICO MUNICIPAL SCHOOL DISTRICT NO. 13
 Schedule of Cash Receipts and
 Disbursements - All Funds by
 School District Classification
 Year Ended June 30, 2016

Schedule III

	<u>Operational</u>	<u>Transportation</u>	<u>Instructional Materials</u>	<u>Athletics</u>	<u>Food Services</u>	<u>Non- Instructional</u>
Cash balance, June 30, 2015	\$ 631,061	\$ -	\$ 3,245	\$ 9,812	\$ 18,000	\$ 161,302
Cash Receipts, 2015-2016	5,219,447	235,452	37,387	35,815	156,129	322,349
Cash Disbursements, 2015-2016	<u>(5,243,396)</u>	<u>(235,452)</u>	<u>(11,549)</u>	<u>(38,775)</u>	<u>(153,782)</u>	<u>(298,536)</u>
Cash balance, June 30, 2016	<u>\$ 607,112</u>	<u>\$ -</u>	<u>\$ 29,083</u>	<u>\$ 6,852</u>	<u>\$ 20,347</u>	<u>\$ 185,115</u>

	<u>Local/ State</u>	<u>Federal Projects</u>	<u>Special Capital Outlay State</u>	<u>Bond Building</u>	<u>Capital Improvement SB-9</u>	<u>Debt Service</u>
Cash balance, June 30, 2015	\$ (7,995)	\$ (131,793)	\$ (37,812)	\$ -	\$ 130,291	\$ 351,995
Cash Receipts, 2015-2016	51,722	385,676	37,812	2,003,041	155,815	608,488
Cash Disbursements, 2015-2016	<u>(53,658)</u>	<u>(374,446)</u>	<u>-</u>	<u>(85,760)</u>	<u>(108,066)</u>	<u>(382,666)</u>
Cash balance, June 30, 2016	<u>\$ (9,931)</u>	<u>\$ (120,563)</u>	<u>\$ -</u>	<u>\$ 1,917,281</u>	<u>\$ 178,040</u>	<u>\$ 577,817</u>

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

Prepared by (Agency Staff Name): Cheryl Whitener

Title: Business Manager

Date: October 10, 2016

<u>RFB#/RFP#</u>	<u>Type of Procurement</u>	<u>Awarded Vendor</u>	<u>Amount of Awarded Contract</u>	<u>Amount of Amended Contract</u>	<u>Name and Physical Address of All Respondents</u>	<u>In-State/Out-of-State Vendor</u>	<u>Veteran's Preference N/A for Federal Funds</u>	<u>Scope of Work</u>
N/A	Contract Service	To And From Bus Co., Inc.	\$ 235,339	\$ 227,288	To And From Bus Co., Inc. 108 N Anderson Texico, NM 88135	In-State	N	School Bus Contractor

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

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

INDEPENDENT AUDITOR'S REPORT

Mr. Tim Keller
New Mexico State Auditor
and
Board of Education
Texico Municipal School District No. 13
Texico, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the General, Title I, IDEA-B Entitlement, Special Local Government Road, Bond Building, Capital Improvements SB-9 and Debt Service Funds of the Texico Municipal School District No. 13, as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Texico Municipal School District No. 13's basic financial statements, and the combining and individual funds and the related budgetary comparison of the non-major funds, presented as supplemental information, and have issued our report thereon dated October 10, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Texico Municipal School District No. 13's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Texico Municipal School District No. 13's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Texico Municipal School District No. 13's internal control over financial reporting.

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

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

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

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Texico Municipal School District No. 13's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, which are described in the Status of Findings and Responses as Transactions Made By Third Parties Not Recorded on Books of Record or Public Education Department Quarterly Reports (2016-001) and Budget Overrun (2016-002).

Responses to the Findings

Texico Municipal Schools responses to the findings identified in our audit are described in the accompanying Status of Findings and Responses. The District's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Texico Municipal School District No. 13's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rodolfo Casariego, CPA

Albuquerque, New Mexico
October 10, 2016

STATUS OF COMMENTS AND RESPONSES

Prior Year Audit Findings:

1. Chief Procurement Officer (2015-001) - Resolved.

Current Year Audit Findings:

1. Transactions made By Third Parties Not Recorded on Books of Record or Public Education Department Quarterly Reports (2016-001)
2. Budget Overrun (2016-002)

Transactions Made by Third Parties
Not Recorded on Books of Record or
Public Education Department
Quarterly Report - Other Matter
(2016-001)

CONDITION	Funds held at New Mexico Finance Authority were never recorded on the School District's books of record or Public Education Department quarterly reports. These included cash balances, interest earned and bond proceeds.
CRITERIA	All transactions whether actually made by management or outside parties needs to be posted/recorded to the entity's books of record and Public Education Department quarterly reports.
CAUSE	Management did not ensure these transactions were booked.
EFFECT	Cash balances, bond proceeds and interest income were understated on the School District's books of record. Adjustments had to be made to adjust certain trial balances so these amounts were included.
RECOMMENDATION	Management should ensure all amounts/ transactions are posted/recorded to the School District's books of record.
RESPONSE	Management will perform quarterly reviews to ensure all transactions are recorded to the School District books of record.

Budget Overrun - Other Matter
(2016-002)

CONDITION The School District overspent the final approved budget of the Operational Fund Food Services Function by \$497.

CRITERIA NMSA 1978 Section 22-8-11 B requires all funds to be spent within established guidelines set for budgets.

CAUSE Management did not review the budgets quarterly and request the necessary budget adjustments before the required deadline set by the Public Education Department.

EFFECT The School District had the adequate cash to pay the additional expenditures but not the required budget authority from PED.

RECOMMENDATION Management should review its budget quarterly and request all budget adjustments requests to ensure budgets by function are not overspent.

RESPONSE The Superintendent and Business Manager will review the budget quarterly and request all budget adjustment requests are submitted in a timelier manner to ensure budgets by fund and/or function are not overspent.

FINANCIAL STATEMENT PREPARATION

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

EXIT CONFERENCE

An exit conference was held at the School District on October 10, 2016, to discuss the current audit report. In attendance were Mr. Robert Brown, Superintendent, Ms. Cheryl Whitener, Business Manager and Ms. Pamela A. Rice, CPA, Contract Auditor.