

NOTICE TO THE OFFICIAL STATEMENT

CLOVIS MUNICIPAL SCHOOL DISTRICT NO. 1

Curry County, New Mexico

\$7,000,000 – General Obligation School Bonds, Series 2018 (the “Bonds”)

This notice adds certain information contained under the heading entitled “THE BONDS”. In addition to the existing language within this Official Statement, the District provides the following disclosure information for subheading “Mandatory Sinking Fund Redemption” as follows:

**Mandatory Sinking Fund Redemption**

The Series 2018 Bonds maturing on or after August 1, 2027 are subject to mandatory sinking fund redemption, by lot, and shall be redeemed on August 1 in the years set forth below in the amount of the corresponding mandatory sinking fund requirement for such Series 2018 Bonds called for redemption plus interest accrued to the date fixed for redemption, as follows:

\$200,000 Term Bond Due August 1, 2027

<u>Year</u>	<u>Sinking Fund Requirement</u>
2026	\$100,000
2027	100,000*

\*Final maturity for Term Bond due August 1, 2027.

**CLOVIS MUNICIPAL SCHOOL DISTRICT NO. 1**  
**Curry County, New Mexico**  
**\$7,000,000 - General Obligation School Bonds, Series 2018 (the "Bonds")**

**NEW ISSUE** Bank Qualified  
**Book-Entry Only** Moody's Rating: Aa3 Underlying/  
Aa3 Enhanced

**PURPOSE** Proceeds of the Bonds will be used for the purpose of (i) erecting, remodeling, making additions to and furnishing school buildings, purchasing or improving school grounds, purchasing computer software and hardware for student use in public schools, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act [NMSA 1978, §§ 22-24-1 et. seq.], or any combination of these purposes and (ii) paying costs of issuance.

**THE BONDS** The Bonds are issuable as fully registered bonds and when initially issued will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). Purchases of the Bonds will be made in book-entry only form, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through a DTC Participant. Beneficial owners of the Bonds will not be entitled to receive physical delivery of Bonds so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. Interest on the Bonds is payable on each February 1 and August 1, commencing February 1, 2019. As long as DTC or its nominee is the registered owner of the Bonds, reference in this Official Statement to registered owner will mean Cede & Co., and payments of principal of and interest on the Bonds will be made directly to DTC by the Registrar/Paying Agent. Disbursements of such payments to DTC Participants are the responsibility of DTC. See "The Book-Entry-Only System" in Appendix C. BOKF, N.A., Albuquerque, New Mexico, or its successor is the Registrar/Paying Agent and Escrow Agent for the Bonds.

**OPTIONAL REDEMPTION** The Bonds are subject to redemption prior to maturity as provided herein.

**SECURITY** The Bonds are general obligations of the Clovis Municipal School District No. 1, Curry County, New Mexico, payable solely out of general (ad valorem) property taxes which are required to be levied against all taxable property in the District without limitation as to rate or amount.

**BOND AND TAX OPINION** In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the Bonds is excluded from gross income under present federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds (the "Tax Code") and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code under present federal income tax laws except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. Bond Counsel is further of the opinion that, assuming continuous compliance with certain covenants, interest on the Bonds is exempt from taxation by the State of New Mexico or any subdivision thereof. Delivery of the Series 2018 Bonds is also subject to the delivery of an approving opinion of the Attorney General of the State of New Mexico. Bond Counsel expresses no opinion regarding other federal income tax consequences relating to the accrual or receipt of interest on the Bonds. (See "Tax Exemption" herein.) The District has designated the Bonds as "Qualified Tax Exempt Obligations" for the purposes of Section 265(b)(3)(B) of the Internal Revenue Code of 1986 (see "Financial Institution Interest Deduction" herein.)

**DELIVERY** When, as and if issued, through DTC's facilities, on or about October 3, 2018.

**DATED DATE** Date of Delivery

**DUE DATE** August 1, as shown on the following page:

\$7,000,000 General Obligation School Building Bonds, Series 2018									
<u>Year</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Cusip #</u> 189414	<u>Year</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Cusip #</u> 189414
2019	\$450,000	3.000%	2.000%	NJ0	2028	350,000	3.000%	2.800%	NT8
2020	200,000	3.000%	2.100%	NK7	2029	800,000	3.000%	2.850%	NU5
2021	100,000	3.000%	2.200%	NL5	2030	800,000	3.000%	3.000%	NV3
2022	50,000	3.000%	2.300%	NM3	2031	800,000	3.125%	3.050%	NW1
2023	50,000	3.000%	2.350%	NN1	2032	800,000	3.250%	3.150%	NX9
2024	50,000	3.000%	2.500%	NP6	2033	1,000,000	3.250%	3.200%	NY7
2025	200,000	3.000%	2.500%	NQ4	2034	1,150,000	3.250%	3.250%	NZ4

\$200,000 3.000% Term Bond due August 1, 2027 Yield: 2.65% Price: 102.457 CUSIP 189414NS0

**ISSUER**

Clovis Municipal School District No. 1  
Curry County, New Mexico  
1009 Main Street  
Clovis, New Mexico 88101  
(505) 769-4300  
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**BOARD OF EDUCATION**

*President:* Terry Martin  
*Vice-President:* Cindy Osburn  
*Secretary:* Kyle Snider  
*Member:* Shawn Hamilton  
*Member:* Paul Cordova

**DISTRICT ADMINISTRATION**

*Superintendent:* Jody Balch  
*Deputy Superintendent of Instruction:* Joe Strickland  
*Deputy Superintendent of Operations:* Carrie Bunce  
*Assistant Superintendent of Finance:* Shawna  
Russell

**FINANCIAL ADVISOR**

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Albuquerque, New Mexico 87110  
(505) 872-5999

**BOND COUNSEL**

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P.O. Box 2168  
Albuquerque, New Mexico 87103  
(505) 848-1800

**PAYING AGENT/REGISTRAR**

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100 Sun Avenue NE, Suite 500  
Albuquerque, New Mexico 87109  
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**PURCHASER**

The Baker Group  
400 W. Main Street, Suite 153  
Babylon, New York 11702  
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## A Few Words About Official Statements

Official statements for municipal securities issues – like this one – contain the only “official” information about a particular issue of municipal securities. This Official Statement is not an offer to sell or solicitation of an offer to buy Bonds in any jurisdiction where it is unlawful to make such offer, solicitation or sale and no unlawful offer, solicitation or sale of the Bonds may occur through this Official Statement or otherwise. This Official Statement is not a contract and provides no investment advice. Investors should consult their advisors and legal counsel with their questions about this Official Statement, the Bonds or anything else related to this issue.

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### MARKET STABILIZATION

*In connection with this Official Statement, the Underwriter may over-allot or effect transactions which stabilize and maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. The Underwriter is not obligated to do this and is free to discontinue it at any time.*

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The estimates, forecasts, projections and opinions in this Official Statement are not hard facts, and no one, including the District, guarantees them.

The District and other reliable sources have provided information for this Official Statement, with the goal of providing disclosure to investors which meets legal requirements.

The information set forth or included in this Official Statement has been provided by the District and from other sources believed by the District to be reliable. While the Financial Advisor has performed a review sufficient to form a reasonable basis for its belief in the accuracy and completeness of the key representations of the District contained in this Official Statement, the Financial Advisor does not guarantee the accuracy or completeness of the Official Statement. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the District described herein since the date hereof. This Official statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

Bond Counsel, Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico was not requested and did not take part in the preparation of the Official Statement nor has such firm undertaken to independently verify any of the information contained herein. Such firm has no responsibility for the accuracy or completeness of any information furnished in connection with any offer or sale of the Bonds in the Official Statement or otherwise. The legal fees to be paid to bond counsel for services rendered in connection with the issuance of the Bonds is contingent, in part, upon the sale and delivery of such Bonds and all legal fees will be paid from bond proceeds.

Any part of this Official Statement may change at any time, without prior notice. Also, important information about the District and other relevant matters may change after the date of this Official Statement.

All document summaries are just that – they are not complete or definitive, and they may omit relevant information. Such documents are qualified in their entirety to the complete documents. Any investor who wishes to review the full text of documents may request them at no cost from the District or the Financial Advisor as follows:

#### **District**

Clovis Municipal School District No. 1  
1009 Main Street  
Clovis, NM 88101  
Attn: Shawna Russell

#### **Financial Advisor**

RBC Capital Markets, LLC  
6301 Uptown Blvd. NE, Suite 110  
Albuquerque, NM 87110  
Attn: Erik Harrigan

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# Clovis Municipal School District No. 1

## Curry County, New Mexico

### \$7,000,000 - General Obligation School Bonds, Series 2018 (the "Bonds")

#### INTRODUCTION

Thank you for your interest in learning more about the \$7,000,000 Clovis Municipal School District No. 1, New Mexico, General Obligation School Building Bonds, Series 2018 ("the Bonds"). This Official Statement will tell you about the Bonds, their security and the risks involved in an investment in the Bonds.

Although the District has approved this Official Statement, it is not intended to substitute for competent investment advice, tailored for your situation.

The Bonds are fully registered bonds in denominations of \$5,000 or integral multiples thereof as described in the Bond Resolution. The Bonds mature and bear interest as presented on the cover page of this Official Statement.

#### The Issuer

The District is a political subdivision of the State of New Mexico (the "State") organized for the purpose of operating and maintaining an educational program for the school-age children residing within its boundaries. The District encompasses approximately 462 square miles, which includes the City of Clovis (the "City") and unincorporated portions of Curry County (the "County") in east-Central New Mexico. The District's 2018 preliminary assessed valuation is \$837,973,685 and its 2017-18 student enrollment was 8,062. See "THE DISTRICT."

#### Security

The Bonds are general obligations of the District and paid from ad valorem taxes that are levied against all taxable property within the District. Neither the State nor the County has any responsibility to pay the debt service on the Bonds.

#### Limited Role of Auditors

Except for the audited financial statements of the District for the year ended June 30, 2017, contained in Appendix B, this Official Statement presents unaudited financial and statistical information from District records and other sources. The June 30, 2017 audited financial statements contained in Appendix B present only a portion of the financial statements. A copy of the entire financial statements of the District is available on the New Mexico Office of the State Auditor's website at [www.saonm.org](http://www.saonm.org).

#### Plan of Finance

Proceeds of the Bonds will be used for the purposes of (i) erecting, remodeling, making additions to and furnishing school buildings, purchasing or improving school grounds and purchasing computer software and hardware for student use in public school classrooms, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act (NMSA 1978, §§ 22-24-1 et seq.) or any combination of these purposes; and (ii) paying costs of issuance.

The Bonds represent the second series of a total of \$20 million in bonds authorized by voters at an election held on February 7, 2017.

## Selected Debt Ratios

2018 Preliminary Assessed Valuation	\$837,973,685
2018 Preliminary Estimated Actual Valuation	\$2,897,480,292 <sup>(1)</sup>
District General Obligation	
Debt Outstanding (Including the "Bonds")	47,315,000
District Net General Obligation Debt	\$44,283,073
District Net Debt as a Percentage of	
Assessed Valuation	5.28%
Estimated Actual Valuation	1.53%
Estimated Direct & Overlapping G/O Debt	\$53,466,638
Direct & Overlapping Debt as a Percentage of	
Assessed Valuation	6.38%
Estimated Actual Valuation	1.85%
Estimated Population	40,000
District Net Debt Per Capita	\$1,107.08
Direct & Overlapping Debt Per Capita	\$1,336.67

*1) - Actual valuation is computed by adding the exemptions to the assessed valuation and multiplying by three.*

## THE BONDS

New Mexico law enables the District to issue the Bonds including NMSA 1978, Section 6-15-11 through Section 6-15-22, NMSA, 1978. The New Mexico Attorney General will provide a written approving opinion with respect to the Bonds.

### General Terms

The Bonds will bear interest at the rates and mature in the amounts and on the dates shown on the front cover of this Official Statement. All Bonds are fully registered in denominations of \$5,000 or integral multiples thereof in conformance with the Constitution and laws of the State and pursuant to the Bond Resolution. Bond payments will go to The Depository Trust Company ("DTC"), and DTC will then remit the payments to its participants for disbursement to the beneficial owners of the Bonds. See "**Book-Entry-Only System**".

### Security for the Bonds

The Bonds are general obligation bonds of the District and are payable from ad valorem taxes which shall be levied against all taxable property within the boundaries of the District without limitation as to rate or amount. The Bonds are additionally secured by the New Mexico Credit Enhancement Program as discussed in more detail under "NEW MEXICO SCHOOL DISTRICT ENHANCEMENT PROGRAM," herein. The District will covenant in the Bond Resolution to levy, in addition to all other taxes, direct annual ad valorem taxes sufficient to pay the principal of and interest on the Bonds. The District may pay the principal of and interest on the Bonds from any funds belonging to the District, which funds may be reimbursed from the ad valorem taxes when the same are collected.

## **Bond Registrar and Paying Agent**

BOKF, N.A., Albuquerque, New Mexico, or its successor, will serve as Paying Agent and Registrar for the Bonds. In the Notice of Sale and Delegation of Authority Resolution ("the Bond Resolution"), the District covenants to provide a Paying Agent/Registrar at all times until the Bonds are paid, and any Paying Agent/Registrar selected by the District shall be a commercial bank, a trust company, a financial institution or any other entity, as provided by State law, duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar. The Registration Books for the Bonds will be maintained by the Paying Agent/Registrar containing the names and addresses of the registered owners of the Bonds. In the Bond Resolution, the District retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, such Paying Agent/Registrar, promptly upon the appointment of a successor, is required to deliver the Registration Books to the successor Paying Agent/Registrar. In the event there is a change in the Paying Agent/Registrar for the Bonds the District has agreed to notify each registered owner of the Bonds affected by the change by United States mail, first-class postage prepaid, at the address in the Registration Books, stating the effective date of the change and the mailing address of the successor Paying Agent/Registrar.

## **Optional Prior Redemption**

The Bonds maturing on or after August 1, 2027 may be redeemed prior to their scheduled maturities on August 1, 2026, or on any date thereafter, in whole or in part, at the option of the District, with funds derived from any available and lawful source, at the redemption price of par, plus accrued interest to the date fixed for redemption. If the District redeems only part of the Bonds of a given maturity, the Registrar will select those Bonds by lot.

## **Record Date**

The Record Date for the Bonds with respect to any interest payment date is the 15th day of the month (whether or not a business day) immediately preceding the interest payment date. The person in whose name any Bond is registered on any Record Date with respect to any interest payment date shall be entitled to receive the interest payable thereon on such interest payment date notwithstanding any transfer or exchange thereof subsequent to such Record Date and prior to such interest payment date.

## **Redemption Notices**

Notice of prior redemption shall be given by the Registrar by sending a copy of such notice by registered or certified first-class, postage prepaid mail, not more than 60 days and not less than 30 days prior to the redemption date as shown on the registration books as of the date of selection of the bonds to be redeemed. Failure to give such notice by mailing to the registered owner of any Bond or any defect therein, shall not affect the validity of the proceedings for the redemption of any of the Bonds.

While the Bonds remain under the Book-Entry-Only System, the Paying Agent/Registrar will send notices only to DTC. Any problems from DTC through its system and on to the Bond investors will not affect the validity of the Bond redemption or any other action based on the Paying Agent/Registrar's notice. Bond investors might consider arranging to receive redemption notices or other communications from DTC which affect them, including notice of interest payments. See "Book-Entry-Only System" in Appendix C.

If the Paying Agent/Registrar gives proper redemption notice and the Paying Agent/Registrar holds money to pay the redemption price of the affected Bonds, then on the redemption date the Bonds called for redemption will become due and payable. Thereafter, no interest will accrue on those Bonds, and their owners' only right will be to receive payment of the redemption price upon surrender of those Bonds to the Registrar.



## Mandatory Sinking Fund Redemption

The Series 2018 Bonds maturing on or after August 1, 2027 are subject to mandatory sinking fund redemption, by lot, and shall be redeemed on August 1 in the years set forth below in the amount of the corresponding mandatory sinking fund requirement for such Series 2018 Bonds called for redemption plus interest accrued to the date fixed for redemption, as follows:

### \$200,000 Term Bond Due August 1, 2027

<u>Year</u>	<u>Sinking Fund Requirement</u>
2026	\$100,000
2027	100,000*

\*Final maturity for the Term Bond Due August 1, 2027.

## Transfers and Exchanges

Registered Bond owners may surrender and transfer their Bonds, in person or by duly authorized attorney, at the office of the Paying Agent/Registrar. They must complete an approved transfer form and pay any taxes or governmental charges which apply to the transfer. As explained below, while DTC is the securities depository for the Bonds, it will be the sole registered owner of the Bonds.

## Limited Book-Entry Responsibilities

While a book-entry-only system is used for the Bonds, the Paying Agent/Registrar will send redemption and other notices only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any notice and its content or effect won't affect the validity or sufficiency of the proceedings relating to the Bond redemption or any other action based on the notice.

The District and the Financial Advisor have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership of interests in the Bonds.

The District and the Financial Advisor cannot and do not give any assurances that DTC will distribute payments to DTC Participants or that DTC Participants or others will distribute payments with respect to the Bonds received by DTC or its nominees as the holder or any redemption notices or other notices to the beneficial holders, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

## SOURCES AND USES OF FUNDS

It is anticipated that the proceeds of the Bonds will be applied as follows:

<b>Sources</b>	<b>Series 2018</b>
Par Amount of Bonds	\$7,000,000.00
Net Premium	50,536.00
<b>Total</b>	<b>\$7,050,536.00</b>

<b>Uses</b>	
Project Fund	\$6,918,436.00
Costs of Issuance	87,250.00
Underwriter's Discount	44,850.00
<b>Total</b>	<b>\$7,050,536.00</b>

## SECURITY AND REMEDIES

The Bonds are general obligations of the District payable from general (ad valorem) property taxes that may be levied against all taxable property within the District without limitation of rate or amount.

The District must use all of the property taxes collected for debt service, and any other legally available money, to pay the debt service on the Bonds and other outstanding debt.

Various New Mexico laws and constitutional provisions apply to the assessment and collection of ad valorem property taxes. There is no guarantee that there will not be any changes that would have a material effect on the District.

### Limitations of Remedies

There is no provision for acceleration of maturity of the principal of the Bonds in the event of a default in the payment of principal or interest on the Bonds. Consequently, remedies available to the owners of the Bonds may have to be enforced from year to year.

The enforceability of the rights and remedies of the owners of the Bonds, and the obligations incurred by the District in issuing the Bonds, are subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; usual equity principles that may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

## NEW MEXICO SCHOOL DISTRICT ENHANCEMENT PROGRAM

The New Mexico legislature amended NMSA 1978, Sections 22-18-1 et. seq. in the first session of 2003 by adding Section 22-18-13 which became effective July 1, 2003. Section 22-18-13 was further amended in 2007 and provides that, if a school district indicates that it will not make the payment by the date on which it is due, the New Mexico Department of Finance and Administration ("DFA") shall forward the amount in immediately available funds necessary to make the payment due on the bonds to the paying agent from the current fiscal year's undistributed State Equalization Guarantee ("SEG") distribution to that school district and, if not otherwise repaid by the school district from other legally available funds, withhold the distributions from the school district until the amount has been recouped by the DFA, provided that, if the amount of the undistributed SEG distribution in the current fiscal year is less than the payment due on the bond, the DFA shall:

- (1) forward in immediately available funds to the paying agent an amount equal to the total amount of the school district's undistributed SEG distribution and, if not otherwise repaid by the school district from other legally available funds, withhold all distributions to the school district for the remainder of the fiscal year; and
- (2) on July 1 of the following fiscal year, forward in immediately available funds an amount equal to the remaining amount due to the paying agent from that year's SEG distribution and, if not otherwise repaid by the school district from other legally available funds, withhold an equal amount from the distribution to the school district until the amount paid has been recouped in full.

**This provision applies to all New Mexico school districts.**

Withholding of the SEG distribution may affect the District's ability to continue to operate.

The New Mexico School District Enhancement Program was initially put on watch list for possible downgrade on May 15, 2007 after the State adopted new legislation that altered the mechanics of the program. After a review of the law and policies regarding the implementation of the law, program ratings were bifurcated, with one rating applying to bonds issued prior to the March 30, 2007 effective date of the legislation and a second rating applying to bonds issued on or after the March 30, 2007 effective date. Under the new law, the State cannot immediately advance more than the remaining undistributed SEG payments for the fiscal year of default. As a result, those school districts with principal and interest payments that fall in the latter part of the fiscal year or that are significant in amount relative to the district's total annual

SEG distribution may not have sufficient undistributed SEG payments to cover debt service payments in the event of a default.

Moody's downgraded the New Mexico School District Enhancement Program (Pre and Post-Default) to Aa2 from Aa1, and assigned a negative outlook on November 1, 2016. On June 18, 2018, Moody's further downgraded the enhancement rating from "Aa2" to "Aa3" and assigned a stable outlook.

By request, Moody's will assign a rating to school district bonds upon verification of a requirement in the authorizing Bond Resolution that an independent, third-party paying agent will be appointed and maintained. The District has qualified the Bonds under the New Mexico School District Enhancement Program and received a rating of "Aa3" on the Bonds.

## **DEBT AND OTHER FINANCIAL OBLIGATIONS**

Article IX, Section 11 of the New Mexico Constitution limits the powers of a District to incur general obligation debt extending beyond the fiscal year. The District can incur such debt for the purpose of erecting, remodeling, making additions to and furnishing school buildings, purchasing or improving school grounds, purchase computer software and hardware for student use in public schools, provide matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act or any combination of these purposes but only after the proposition to create any such debt has been submitted to a vote of the qualified electors of the District, and a majority of those voting on the question vote in favor of creating the debt. The total indebtedness of the District may not exceed 6% of the assessed valuation of the taxable property within the District as shown by the last preceding general assessment. The District also may create a debt by entering into a lease-purchase arrangement to acquire education technology equipment without submitting the proposition to a vote of the qualified electors of the District, but any such debt is subject to the 6% debt limitation. The issuance of refunding bonds does not have to be submitted to a vote of the qualified electors of the District.

The 2018 preliminary assessed valuation of taxable property within the District is \$837,973,685, as approved by the State of New Mexico Taxation and Revenue Department, Property Tax Division. The maximum general obligation indebtedness of the District may not exceed 6% of the assessed valuation or \$50,278,421.

After the Bonds are issued, the ratio of total outstanding general obligation (G/O) debt of the District to the 2018 preliminary assessed valuation will be no greater than 6.38% as summarized below:

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2018 Preliminary Assessed Valuation	\$837,973,685
2018 Preliminary Estimated Actual Valuation <sup>(2)</sup>	\$2,897,480,292
Bonded Debt	
Current Total Outstanding (Including the "Bonds")	\$47,315,000
Less Debt Service Fund Balance <sup>(1)</sup>	<u>(3,031,927)</u>
NET DEBT	\$44,283,073
Ratio of Estimated Net Debt to 2018 Preliminary Assessed Valuation:	6.38%
Ratio of Estimated Net Debt to 2018 Preliminary Estimated Actual Valuation:	1.85%
Per Capita Net Bonded Debt:	\$1,107.08
Est. Population:	40,000

1) - Preliminary, subject to change.

(1) As of 6/30/2018, the debt service cash balance for the Bonds was \$4,214,771. The amount attributable to principal reduction is 71.940%. \$4,274,648.47 represents the estimated amount after payment of August 1 principal and interest

(2) Estimated Actual Valuation is calculated by adding back exemptions to Assessed Valuation and multiplying the result by three.

### Authorized But Unissued Bonds

The District has \$15,000,000 (\$8,000,000 after this proposed financing) of authorized but unissued general obligation bonds from an election held on February 7, 2017.

## Outstanding Debt

The District has issued debt ("Outstanding Debt") in the past for various capital improvements and has never defaulted in the payment of any of its debt or other obligations. Listed below is the District's total general obligation debt outstanding including the Bonds:

Series	Original Amount Issued	Final Maturity	Principal Outstanding
2011	8,000,000	08/01/2025	3,905,000
2012	9,000,000	08/01/2027	5,990,000
2013	5,000,000	08/01/2028	4,800,000
2013B	4,900,000	08/01/2028	3,825,000
2014A	5,100,000	08/01/2029	4,825,000
2015	5,000,000	08/01/1930	4,700,000
2016A	5,000,000	08/01/2031	4,575,000
2016B	3,515,000	08/01/2023	3,060,000
2017	5,000,000	08/01/2032	4,635,000
2018	7,000,000	08/01/2034	7,000,000
	<b>57,515,000</b>		<b>47,315,000</b>

## Debt Service Requirements to Maturity

The District schedules principal and interest payments at the time of the bond sales with constraints being general obligation debt capacity and expected property tax revenues and computed at the desired tax rate. Listed below is a summary of the currently scheduled principal and interest on the District's outstanding debt as well as the proposed principal and interest payments on the Bonds.

Year	Current Requirements			Series 2018 Bonds			Total Requirements		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	\$2,625,000	\$1,018,883	\$3,643,883	\$450,000	\$180,766	\$630,766	\$3,075,000	\$1,199,648	\$4,274,648
2020	2,555,000	951,645	3,506,645	200,000	204,875	404,875	2,755,000	1,156,520	3,911,520
2021	2,740,000	886,895	3,626,895	100,000	198,875	298,875	2,840,000	1,085,770	3,925,770
2022	3,065,000	817,315	3,882,315	50,000	195,875	245,875	3,115,000	1,013,190	4,128,190
2023	3,300,000	739,515	4,039,515	50,000	194,375	244,375	3,350,000	933,890	4,283,890
2024	3,575,000	660,440	4,235,440	50,000	192,875	242,875	3,625,000	853,315	4,478,315
2025	3,865,000	569,628	4,434,628	200,000	191,375	391,375	4,065,000	761,003	4,826,003
2026	4,045,000	471,198	4,516,198	100,000	185,375	285,375	4,145,000	656,573	4,801,573
2027	4,470,000	371,435	4,841,435	100,000	182,375	282,375	4,570,000	553,810	5,123,810
2028	3,995,000	261,725	4,256,725	350,000	179,375	529,375	4,345,000	441,100	4,786,100
2029	2,620,000	157,988	2,777,988	800,000	168,875	968,875	3,420,000	326,863	3,746,863
2030	1,820,000	89,563	1,909,563	800,000	144,875	944,875	2,620,000	234,438	2,854,438
2031	1,070,000	44,200	1,114,200	800,000	120,875	920,875	1,870,000	165,075	2,035,075
2032	570,000	17,100	587,100	800,000	95,875	895,875	1,370,000	112,975	1,482,975
2033				1,000,000	69,875	1,069,875	1,000,000	69,875	1,069,875
2034				1,150,000	37,375	1,187,375	1,150,000	37,375	1,187,375
	<b>\$40,315,000</b>	<b>\$7,057,528</b>	<b>\$47,372,528</b>	<b>\$7,000,000</b>	<b>\$2,543,891</b>	<b>\$9,543,891</b>	<b>\$47,315,000</b>	<b>\$9,601,418</b>	<b>\$56,916,418</b>

**Statement of Estimated Direct and Overlapping Debt**

The following is a calculation which is useful to investors in assessing the debt load and per capita debt of the District payable from property taxes. In addition to outstanding debt of the District, the calculation takes into account debt attributable to taxing entities which is the responsibility of taxpayers within the boundaries of the District. Revenue bonds are payable from sources other than property taxes.

	<b>2018 Preliminary Assessed Value</b>	<b>G/O Debt Outstanding</b>	<b>Percent Applicable</b>	<b>Amount</b>
State of New Mexico	\$60,802,028,562	\$411,525,000	1.38%	\$5,671,638
Curry County	905,908,689	-	92.50%	-
City of Clovis	621,976,592	-	100.00%	-
Clovis Community College	837,973,685	480,000	100.00%	480,000
Clovis MSD No. 1	837,973,685	47,315,000	100.00%	47,315,000
<b>Total Direct &amp; Overlapping</b>				<b>\$53,466,638</b>
Ratio of Estimated Direct & Overlapping Debt to 2018 Preliminary Assessed Valuation:				6.38%
Ratio of Direct & Overlapping Debt to 2018 Preliminary Estimated Actual Valuation:				1.85%
Per Capita Direct & Overlapping Debt:				\$1,336.67
Population:				40,000

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## TAX BASE

### Analysis of Assessed Valuation

Assessed Valuation of property within the District is calculated as follows: Of the total estimated actual valuation of all taxable property in the District, 33 1/3% is legally subject to ad valorem taxes. After deduction of certain personal exemptions, the 2018 preliminary assessed valuation is \$837,973,685. The actual value of personal property within the District (see "Assessments" below) is determined by the County Assessor. The actual value of certain corporate property within the District (see "Centrally Assessed" below) is determined by the State of New Mexico, Taxation and Revenue Department, Property Tax Division. The analysis of Assessed Valuation follows:

	2018*	2017	2016	2015	2014	2013
<b>Assessments</b>						
Value of Land		\$92,184,854	\$90,054,192	\$87,324,339	\$84,768,911	\$81,227,051
Improvements		689,263,689	674,773,332	651,173,907	616,771,005	601,138,360
Personal Property		28,035,413	28,231,361	27,056,461	28,004,444	29,809,040
Mobile Homes		7,337,650	7,391,154	7,373,103	7,309,979	7,183,846
Livestock		24,453,854	26,217,285	23,987,331	20,386,315	19,772,268
<b>Assessor's Total Value</b>		<b>841,275,460</b>	<b>826,667,324</b>	<b>796,915,141</b>	<b>757,240,654</b>	<b>739,130,565</b>
<b>Less Exemptions</b>						
Head of Family		6,301,258	6,323,537	6,434,800	6,397,138	6,370,947
Veterans		15,171,045	13,971,237	13,472,582	12,766,199	12,840,960
Other		106,380,776	103,724,785	99,206,782	98,300,516	98,166,757
<b>Total Exemptions</b>		<b>127,853,079</b>	<b>124,019,559</b>	<b>119,114,164</b>	<b>117,463,853</b>	<b>117,378,664</b>
<b>Assessors Net Valuation</b>		<b>713,422,381</b>	<b>702,647,765</b>	<b>677,800,977</b>	<b>639,776,801</b>	<b>621,751,901</b>
<b>Centrally Assessed</b>		<b>93,698,836</b>	<b>89,532,688</b>	<b>82,613,921</b>	<b>73,879,544</b>	<b>74,347,123</b>
<b>Total Assessed Valuation</b>		<b>807,121,217</b>	<b>792,180,453</b>	<b>\$760,414,898</b>	<b>\$713,656,345</b>	<b>\$696,099,024</b>
Residential	544,874,781	\$526,930,112	\$518,966,110	\$503,199,694	\$471,337,133	\$454,979,597
Non-Residential	293,098,904	280,191,105	273,214,343	257,125,204	242,319,212	241,119,427
	<b>\$837,973,685</b>	<b>\$807,121,217</b>	<b>\$792,180,453</b>	<b>\$760,324,898</b>	<b>\$713,656,345</b>	<b>\$696,099,024</b>

Source: State of New Mexico, Taxation & Revenue Department, Property Division, and Curry County Assessor's Office

## History of Assessed Valuation

Listed below is a 10-year history of assessed valuation for the District compared with the City of Clovis and Curry County.

Tax Year	Clovis MSD #1	City of Clovis	Curry County
2008	526,468,955	398,093,122	594,198,887
2009	556,733,143	422,630,571	626,026,206
2010	581,331,079	450,437,286	650,202,134
2011	629,728,819	497,823,897	698,324,849
2012	662,823,489	515,179,884	736,673,802
2013	696,099,024	545,234,184	775,834,140
2014	713,656,345	561,982,907	795,910,707
2015	760,414,898	581,128,899	850,104,498
2016	792,180,453	600,334,042	887,925,155
2017	807,121,217	609,780,973	901,070,092
2018*	837,973,685	621,976,592	905,908,689

Source: Curry County Assessor's Office.

\*Preliminary, subject to change

## Major Taxpayers

The ten largest taxpayers in the Clovis School District have a combined Assessed Valuation of \$96,472,561 which represents 12.0% of the 2017 assessed valuation. Property taxes are current for these taxpayers. This table is useful in assessing the concentration risk of the tax base.

Taxpayer	Business	2017 A.V.	% of District A.V.
BN&SF Railroad	Railway	\$28,012,370	3.5%
Southwestern Public Service	Utility	23,675,683	2.9%
Epcor Water NM Inc.	Utility	9,376,990	1.2%
Plateau	Telephone	7,449,172	0.9%
Farmer's Electric Coop	Utility	6,112,232	0.8%
Rajen Dairy	Dairy	5,114,027	0.6%
Hertiage Dairy	Dairy	4,815,444	0.6%
ENMR	Telephone	4,202,081	0.5%
Gas Company of New Mexico	Utility	3,875,596	0.5%
Wal-Mart	Retail	3,838,966	0.5%
<b>Total</b>		<b>\$96,472,561</b>	<b>12.0%</b>

Source: Curry County Assessor's Office



## Tax Rates

Article VIII, Section 2, of the New Mexico Constitution limits the total ad valorem taxes for operational purposes levied by all overlapping governmental units within the District to \$20.00 per \$1,000 of assessed value. This limitation does not apply to levies for public debt and levies for additional taxes if authorized at an election by a majority of the qualified voters of the jurisdiction voting on the question. The following table summarizes the tax situation on residential property for 2017-18 Fiscal Year and the previous four years. The District expects no change in the level of its taxes in the foreseeable future but is unable to predict what overlapping entities might do. A high level of taxation may impact the District's ability to repay bonds.

<b>Within 20 Mill Limit for General Purposes</b>					
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
State of New Mexico	0.000	0.000	0.000	0.000	0.000
Curry County	9.278	9.062	8.924	8.816	8.875
City of Clovis	3.349	3.300	3.316	3.344	3.371
Clovis Schools	0.472	0.460	0.452	0.447	0.450
<b>Total</b>	<b>13.099</b>	<b>12.822</b>	<b>12.692</b>	<b>12.607</b>	<b>12.696</b>
<b>Over 20 Mill Limit - Interest, Principal, Judgement, etc.</b>					
State of New Mexico	1.360	1.360	1.360	1.360	1.360
Curry County	0.000	0.000	0.000	0.000	0.244
City of Clovis	0.000	0.000	0.000	0.000	0.000
Clovis Schools	6.946	6.917	6.889	6.841	6.873
Clovis Community College	1.996	1.922	1.891	1.867	1.879
<b>Total</b>	<b>10.302</b>	<b>10.199</b>	<b>10.140</b>	<b>10.068</b>	<b>10.356</b>
<b>Total Levy</b>					
State of New Mexico	1.360	1.360	1.360	1.360	1.360
Curry County	9.278	9.062	8.924	8.816	9.119
City of Clovis	3.349	3.300	3.316	3.344	3.371
Clovis Schools	7.418	7.377	7.341	7.288	7.323
Clovis Community College	1.996	1.922	1.891	1.867	1.879
<b>Total Residential</b>	<b>23.401</b>	<b>23.021</b>	<b>22.832</b>	<b>22.675</b>	<b>23.052</b>
<b>Total Non-Residential</b>	<b>24.41</b>	<b>24.041</b>	<b>24.427</b>	<b>24.437</b>	<b>24.700</b>
Total Residential in Unincorporated County	20.052	19.721	19.516	19.331	19.681
<b>Total Non-Residential in Unincorporated County</b>	<b>20.731</b>	<b>20.44</b>	<b>20.702</b>	<b>20.712</b>	<b>20.975</b>

Source: State of New Mexico, Department of Finance & Administration

## School Tax Rates

The following table summarizes the historical school tax levies on property within the District since the 2008 tax year (2008-09 fiscal year). In February 2017, voters re-authorized the Public Schools Capital Improvements Act levy ("SB9") for residential property for property tax years 2017 through 2023. .

Tax Year	Operational		Two Mill Levy		Debt	Total	
	Resid.	Non-Resid.	Resid.	Non-Resid.	Service	Resid.	Non-Resid.
2008	0.493	0.500	1.974	2.000	4.653	7.120	7.153
2009	0.496	0.500	1.988	2.000	4.950	7.434	7.450
2010	0.486	0.500	1.949	2.000	4.959	7.394	7.459
2011	0.460	0.500	2.000	2.000	4.952	7.412	7.452
2012	0.467	0.500	2.000	2.000	4.936	7.403	7.436
2013	0.450	0.500	1.927	2.000	4.946	7.323	7.446
2014	0.447	0.500	1.914	2.000	4.927	7.288	7.427
2015	0.452	0.500	1.940	2.000	4.949	7.341	7.449
2016	0.460	0.492	1.973	1.968	4.944	7.377	7.404
2017	0.472	0.500	2.000	2.000	4.946	7.418	7.446

Source: New Mexico Department of Finance & Administration.

## Yield Control Limitation

State law limits property tax increases from the prior property tax year. Specifically, no taxing entity may set a rate or impose a tax (excluding oil and gas production ad valorem and oil and gas production equipment ad valorem taxes) or assessment which will produce revenues which exceed the prior year's tax revenues from residential and non-residential property multiplied by a "growth control factor." The growth control factor is the percentage equal to the sum of (a) "percent change I" plus (b) the prior property tax year's total taxable property value plus "net new value", as defined by Statute, divided by such prior property tax year's total taxable property value, but if that percentage is less than 100%, then the growth control factor is (a) "percent change I" plus (b) 100%. "Percent change I" is based upon the annual implicit price deflator index for state and local government purchases of goods and services (as published in the United States Department of Commerce monthly publication entitled "Survey of Current Business," or any successor publication) and is a percent (not to exceed 5%) that is derived by dividing the increase in the prior calendar year (unless there was a decrease, in which case zero is used) by the index for such calendar year next preceding the prior calendar year. *The growth control factor applies to authorized operating levies and to any capital improvements levies, but does not apply to levies for paying principal and interest on public general obligation debt.*

## Developments Limiting Residential Property Tax Increases

In an effort to limit large annual increases in residential property taxes in some areas of the State (particularly the Santa Fe and Taos areas which have experienced large increases in residential property values in recent years), an amendment to the uniformity clause (Article VIII, Section 1) of the New Mexico Constitution was proposed during the 1997 Legislative Session. The amendment was submitted to voters of the State at the general election held on November 3, 1998 and was approved by a wide margin.

The amendment directs the Legislature to provide for valuation of residential property in a manner that limits annual increases in valuation. The limitation may be applied to classes of residential property taxpayers based on occupancy, age or income. Further, the limitations may be authorized statewide or at the option of a local jurisdiction and may include conditions for applying the limitations.

Bills implementing the constitutional amendment were enacted in 2001 and were codified as Sections 7-36-21.2 NMSA 1978 and 7-36-21.3 NMSA 1978.

Section 7-36-21.2 NMSA 1978 establishes a statewide limitation on residential property valuation increases beginning in tax year 2001 (the "Statutory Valuation Cap on Residential Increases"). Annual valuation increases are limited to 3% over

the prior year's valuation or 6.1% over the valuation from two years prior. Subject to certain exceptions, these limitations do not apply:

1. To property that is being valued for the first time;
2. To physical improvements made to the property in the preceding year;
3. When the property is transferred to a person other than a spouse, or a child who occupies the property as his principal residence and who qualifies for the head of household exemption on the property under the Property Tax Code;
4. When a change occurs in the zoning or use of the property; and
5. To property that is subject to the valuation limitations under Section 7-36-21.3 NMSA 1978.
6. On March 28, 2012, the New Mexico Court of Appeals upheld the constitutionality of a law capping residential valuation increases until a home changes ownership. The plaintiff has appealed the case to the New Mexico Supreme Court. The New Mexico Legislature has brought up the issue of the disparity in valuations in the past several years, but has not enacted any of the bills into law. To the extent that court or legislative action is taken or a further constitutional amendment is passed amending the valuation provisions, it could have a material impact on the valuation of residential property in the District.

Section 7-36-21.3 NMSA 1978 places a limitation on the increase in value for property taxation purposes for single-family dwellings occupied by low-income owners who are 65 years of age or older or who are disabled. The statute fixes the valuation of the property to the valuation in the year that the owner turned 65 or became disabled. The Section 7-36-21.3 limitation does not apply:

1. To property that is being valued for the first time;
2. To a change in valuation resulting from physical improvements made to the property in the preceding year; and
3. To a change in valuation resulting from a change in the zoning or permitted use of the property in the preceding year.

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## Tax Collections

General (ad valorem) taxes for all units of government are collected by the county treasurer and distributed monthly to the various political subdivisions to which they are due.

Property taxes are due in two installments. The first half installment is due on November 10 and becomes delinquent on December 10. The second half installment is due on April 10 and becomes delinquent on May 10.

Collection statistics for all political subdivisions for which each county treasurer collects taxes are presented below:

Tax Year	Fiscal Year	Net Taxes Charged to Treasurer	Current Tax Collections <sup>(1)</sup>	Current Collections as a % of Net Levied	Current/Delinquent Tax Collections <sup>(2)</sup>	Current/Delinquent Collections as a % of Net Levied
2017	17/18	\$20,681,340	\$19,926,805	96.35%	\$19,926,805	96.35%
2016	16/17	20,015,761	19,770,449	98.77%	19,800,531	98.92%
2015	15/16	19,151,388	18,879,298	98.58%	18,947,230	98.93%
2014	14/15	17,823,815	17,585,509	98.66%	17,619,973	98.86%
2013	13/14	17,655,538	17,000,241	96.29%	17,606,384	99.72%
2012	12/13	17,391,706	16,654,670	95.76%	17,347,045	99.74%
2011	11/12	16,545,052	15,908,499	96.15%	16,539,632	99.97%
2010	10/11	15,558,416	14,979,539	96.28%	15,614,782	100.36%
2009	09/10	15,037,632	14,228,179	94.62%	14,955,703	99.46%
2008	08/09	13,865,478	13,269,312	95.70%	13,900,931	100.26%

(1) Current collections through June 30 of each year

(2) As of July 2018

Source: Curry County Treasurer's Office

## Interest on Delinquent Taxes

Pursuant to Section 7-38-49, NMSA 1978, if property taxes are not paid for any reason within thirty (30) days after the date they are due, interest on the unpaid taxes shall accrue from the thirtieth (30th) days after they are due until the date they are paid. Interest accrues at the rate of 1% per month or any fraction of a month.

## Penalty for Delinquent Taxes

Pursuant to Section 7-38-50, NMSA 1978, if property taxes become delinquent, a penalty of 1% of the delinquent tax for each month, or any portion of a month, they remain unpaid shall be imposed, but the total penalty shall not exceed 5% of the delinquent taxes. The minimum penalty imposed is \$5.00. A county can suspend application of the minimum penalty requirement for any tax year.

If property taxes become delinquent because of an intent to defraud by the property owner, 50% of the property tax due or fifty dollars (\$50.00), whichever is greater, shall be added as a penalty.

## Remedies Available for Non-Payment of Taxes

Pursuant to Section 7-38-47, NMSA 1978, property taxes are the personal obligation of the person owning the property on the date on which the property was subject to valuation for property taxation purposes. A personal judgment may be rendered against the taxpayer for payment of taxes that are delinquent, together with any penalty and interest on the delinquent taxes.

Taxes on real property are a lien against the real property. Pursuant to Section 7-38-65, NMSA 1978, delinquent taxes on real property may be collected by selling the real property on which taxes are delinquent.

Pursuant to Section 7-38-53, NMSA 1978, delinquent property taxes on personal property may be collected by asserting a claim against the owner(s) of the personal property for which taxes are delinquent.

## THE DISTRICT

The District is a political subdivision of the State organized for the purpose of operating and maintaining an education program for school-age children residing within its boundaries.

The District is located in east-central New Mexico, bordering the State of Texas. The District encompasses approximately 462 square miles with an estimated population of 40,000. The District operates 11 elementary schools, 1 early education center, 3 middle schools, 1 freshman campus, 1 family center and 1 senior high school.

### School District Powers

Pursuant to Chapter 22, Laws 2004 passed in the 2004 legislative session, the District's powers are subject to regulations promulgated by the Secretary of the New Mexico Public Education Department (the "Secretary") with the advice of the Public Education Commission. The Secretary of the Public Education Department ("PED") is responsible for control, management and direction of all public schools. The Public Education Commission is comprised of ten members, elected from public education districts for staggered four-year terms. Generally, the powers of the PED include determining policy of operations of all public schools; designating courses of instruction for all public schools in the State; adopting regulations for the administration of all public schools; determining qualifications for teachers, counselors, and their assistants; and prescribing minimum educational standards for all public schools. The PED may order the creation of new school districts or may require consolidation of school districts.

### Management

The District Board (the "Board"), subject to regulations of the Secretary of the PED, develops educational policies for the District. The Board employs a superintendent of schools, delegates administrative and supervisory functions to the superintendent, including fixing the salaries of all employees, reviews and approves the annual District budget, has the capacity to sue and be sued, contracts, leases, purchases and sells for the District, acquires and disposes of all property, and adopts regulations pertaining to the administration of all powers or duties of the Board. Members serve without compensation for four-year terms of office in non-partisan elections held every two years on the first Tuesday after the first Monday in November. The District Board Members are:

Terry Martin, President  
Term expires December 31, 2019

Shawn Hamilton, Member  
Term expires December 31, 2019

Cindy Osburn, Vice President  
Term expires December 31, 2021

Paul Cordova, Member  
Term expires December 31, 2019

Kyle Snider, Secretary  
Term expire December 31, 2021

The Superintendent of Schools is selected by and serves at the discretion of the Board. All other staff members are selected by the Superintendent. The current Administrative Staff is:

Jody Balch, Superintendent: Mr. Balch became the Superintendent for Clovis Municipal Schools on July 1, 2014. He served as the District's Deputy Superintendent of Operations since February 2012 and Director of Operations from July 2011 to February 2012. Prior to his position as Director of Operations, Mr. Balch was the principal at Bovina High School in Bovina, Texas. Additionally, Mr. Balch served as principal at Yucca Middle School and Clovis High School prior to retiring in 2009 with 30 years of dedicated service to the children of Clovis. Mr. Balch is a native of Clovis where he and his family reside.

Shawna Russell, Chief Financial Officer: Ms. Russell was promoted to Chief Financial Officer for Clovis Municipal Schools on July 1, 2013. She has worked for the District since 2008 as Supervisor of Accounting Services. Prior to working with the District, Ms. Russell worked in the finance department at the 9<sup>th</sup> Judicial District Courts and in the Human Resources/Accounting department at First National Bank. She received her Bachelors of Business Administration from Eastern New Mexico University.

## Insurance

The New Mexico Public School Insurance Authority (the "Insurance Authority") which was established to provide a comprehensive insurance program for school districts, board members and retirees and public school employees and retirees with the State. The Insurance Authority provides risk related insurance to the District such as workman's compensation, property and casualty insurance, general automobile and fire insurance and general liability insurance for the District, its property, its board members, and employees.

## Intergovernmental Agreements

The District has entered into various joint powers agreements with other governmental entities in the State which permit all the governmental entities to jointly provide certain equipment purchases and other services cooperatively.

## School Property

In addition to the school buildings and their contents, the District owns over 250 acres of land upon which school buildings and facilities are located, approximately 50 acres of additional vacant property, the District Administration Building, a maintenance facility, Student Support Center and transportation facility, an instructional materials warehouse and numerous vehicles and activity buses. The District also contracts buses which are used only to transport students to and from school. The appraised value of all school facilities and equipment is estimated to be over \$150 million.

Currently, the District operates and maintains a variety of facilities in meeting its obligation to provide an educational program for the school-age children residing within its boundaries. In addition to the regular educational program of grades pre-kindergarten through 12, the District offers an alternative high school for students experiencing difficulty in regular high school activities, vocational programs in agriculture, family and consumer science, horticulture, drafting, woodworking and technology. The District offers Special Education Services, Title I remedial education and bilingual education.

## Student Enrollment

The 5-year history of student enrollment follows:

School Year	Enrollment
2014-15	8,312
2015-16	8,294
2016-17	8,263
2017-18	8,062

## Accreditation

The Clovis Municipal Schools, as a whole, is accredited by the New Mexico PED. The District is subject to periodic monitoring by the PED to ensure continued compliance with accreditation standards. The Clovis High School was accredited by AdvancED on November, 2017 for a period of five years. The District is currently working through the accreditation process.

## FINANCES OF THE EDUCATIONAL PROGRAM

The basic format for the financial operation of the District is provided by the PED through the School Budget Planning Division which is directed by State law to supervise and control the preparation of all budgets of all school districts. The District receives revenue from a variety of local, State, and federal sources, the most important of which are described below. New Mexico's public school finance laws are subject to review and examination through the judicial process, and are subject to legislative changes as well. As a result, the District cannot anticipate with certainty all of the factors which may influence the financing of its future activities. There is no assurance that there will not be any change in, interpretation of, or addition to the applicable laws, provisions, and regulations which would have a material effect, directly or indirectly, on the affairs of the District.

### Recent Legislative Action

The New Mexico State Legislature met in regular session in February 2018 to review and pass the FY 18-19 budget. Compared with the previous year, when the governor's veto of virtually all funding for the legislative branch and higher education institutions triggered a lawsuit and a special session, 2018 found an increase in the price of oil and a record-setting year in oil production. This new money provided additional funding for public schools in the amount of \$66.7 million or a 2.6% increase in new money. This increase also allowed for an additional \$10 million to be redirected to the 89 school districts in the state. For Clovis Schools, that meant an increase of \$458,703 in FY 17-18 and an initial increase in FY 18-19 of \$189,107. Transportation and Instructional Materials also saw an increase of \$30,259 and \$39,337 respectively.

Although Gas and Oil prices continue to grow, the district made the decision to build the FY 18-19 budget based on flat revenues to help protect the existing cash balance.

See "LITIGATION" for a discussion of current litigation that could impact the funding of education in the State.

### District Budget Process

Each year, the school district budget process begins with the educational appropriations passed by the Legislature and signed into law by the Governor. The actual budget process follows specific steps set by the PED.

- Pursuant to instruction by the PED, the District must submit an operating budget for the next school year to the PED. If the District fails to submit a budget, the PED must prepare a District budget for the ensuing year. Upon written approval of the state superintendent [secretary], the date for the submission of the operating budget may be extended to a later date fixed by the state superintendent (Section 22-8-6).
- Before May 31 of each year, the District Board must hold a public hearing to fix the estimated budget for the next school year.
- Before June 20 of each year, the District must submit a balanced budget to the PED.
- On or before July 1 of each year, the PED must approve and certify an approved operating budget for use by the District Board.

No school board, officer or employee of a school district may make an expenditure or incur any obligation for the expenditure of public funds unless that expenditure is made in accordance with an operating budget approved by the PED. This requirement, however, does not prohibit the transfer of funds between line items within a series of a budget. Final budgets may not be altered or amended after approval by the PED except upon the District's request to the PED. An instance in which such requests will be approved include a change within the budget that does not increase the total amount of the budget. Additional budget items may also be approved if the District is to receive unanticipated revenues. Finally, if it becomes necessary to increase the District's budget by more than \$1,000 for any reason other than those listed above, the PED may order a special public hearing to consider the requested increase.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Debt Service Fund with appropriations lapsing at year end. Total expenditures of any function category may not exceed categorical appropriations.

To conform to PED's requirements, budgets for all funds of the District are adopted on the cash basis of accounting except for state instructional material credit. State instructional material funds provide for free textbooks from the PED. As a result, budgets are not prepared in conformity with generally accepted accounting principles (GAAP), and budgetary comparisons are presented on the cash basis of accounting.

### **Sources of Revenue for General Fund**

The General Fund is the primary operating fund of the District, and accounts for all financial resources, except those required to be accounted for in other funds. The sources of revenue for the District's General Fund are:

Local Revenues - Local revenues are a minor source of revenue to the District composed, in part, by a property tax annually levied on and against all of the taxable property within the District for operational purposes. The levy is limited by State law to a rate of 50 cents for each \$1,000 of net taxable value of taxable property. Other sources of local revenues include interest income earned on the District's investments, rentals and sale of property. In the fiscal year 2017 the District received \$375,938 from local sources.

Federal Revenues - Another minor source of annual revenue for the District's General Fund is derived from indirect costs of direct federal grant funds related to vocational, special education, and various other programs and P.L. 874 federal impact moneys paid to the District in lieu of taxes on federal land located in the District. In fiscal year 2017, the District received \$234,298 in federal revenues for its General Fund.

State Revenues - The District's largest source of annual revenue is derived from the State equalization guarantee payments described below. During fiscal year 2017, the District received \$56,578,931 from state sources. Such payments represented approximately 98.5% of actual fiscal year 2017 General Fund revenues.

### **State Equalization Guarantee**

The State Legislature enacted New Mexico's current public school funding formula in 1974. Designed to distribute operational funds to local school districts in an objective manner, the funding formula is based upon the educational needs of individual students and costs of the programs designed to meet those needs. Program cost differentials are based upon nationwide data regarding the relative costs of various school programs, as well as data specific to New Mexico. The objectives of the formula are (1) to equalize educational opportunity statewide (by crediting certain local and federal support and then distributing state support in an objective manner) and (2) to retain local autonomy in actual use of funds by allowing funds to be used in local districts at the discretion of local policy making bodies. The formula is divided into three basic parts:

1. Educational program units that reflect the different costs of identified programs;
2. Training and experience units that attempt to provide additional funds so that districts may hire and retain better educated and more experienced instructional staff; and
3. Size adjustment units that recognize local school and community needs, economies of scale, types of students, marginal costs increases for growth in enrollment from one year to the next, and adjustments for the creation of new districts.

SEG payments are made monthly and prior to June 30 each fiscal year. The calculation of the distribution is also based on the local and federal revenues received from July 1 of the previous fiscal year through May 31 of the fiscal year for which the State distribution is being computed. In the event that a district receives more SEG funds than its entitlement, the district must make a refund to the State's general fund.

Even though the current public school funding formula has been in place for more than two decades, some districts have indicated a concern about the fact that some districts receive less revenue per pupil compared to others. In response to these concerns, the Legislature, the Governor, and the State Board of Education authorized an independent, comprehensive study of the formula, that was conducted in 1996. In its principal finding, the independent consultant concluded, ". . . When evaluated on the basis of generally accepted standards of equity, the New Mexico public school funding formula is a highly equitable formula. . . . [S]pending disparities are less than in other states and statistically insignificant."



Despite the acknowledged equity of the formula, the independent consultant pointed out a strong perception of unfairness in the so-called “density” factor and in the training and experience computations of some districts. As a result, the Legislature enacted the following changes to the funding formula:

- Required that special education students be counted with regular students with “add-on” weights assigned depending upon the severity of the disability;
- Changed weights for special education ancillary services and included diagnosticians in ancillary services computations; and
- Repealed the so-called “density” factor and replaced it with an at-risk factor that is available to all school districts.

SEG payments for the previous five fiscal years are as follows:

<b>Year</b>	<b>Program Unit Factor</b>	<b>Amount</b>
2013-2014	3,817.55	55,103,971
2014-2015	4,005.75	57,103,881
2015-2016	4,027.75	58,239,163
2016-2017	3,979.63	56,634,122
2017-2018	4,053.55	56,428,379

*Source: New Mexico Public Education Department.*

The New Mexico PED receives federal material leasing funds from which it makes annual allocations to the school district for the purchase of educational materials. In 2017, the District received \$381,860 credit for instructional materials.

The District also receives student transportation distributions. These payments are based upon a formula consisting of the number of students per square mile that are transported. In 2017 the District received \$1,784,327 for transportation purposes.

### **District Budget Process**

Each year, the school district budget process begins with the educational appropriations passed by the Legislature and signed into law by the Governor. The actual budget process follows specific steps set forth in the Public School Finance Act:

- Before April 15 of each year, the District must submit an estimated budget for the next school year to the PED. If the District fails to submit a budget, the PED must prepare a District budget for the ensuing year.
- Before June 20 of each year, the District Board must hold a public hearing to fix the estimated budget for the next school year.
- On or before July 1 of each year, the PED must approve and certify an approved operating budget for use by the District board.

No school board, officer or employee of a school district may make an expenditure or incur any obligation for the expenditure of public funds unless that expenditure is made in accordance with an operating budget approved by the PED. This requirement, however, does not prohibit the transfer of funds between line items within a series of a budget. Final budgets may not be altered or amended after approval by the PED except upon the District’s request to the PED. An instance in which such requests will be approved include a change within the budget that does not increase the total amount of the budget. Additional budget items may also be approved if the District is to receive unanticipated revenues. Finally, if it becomes necessary to increase the District’s budget by more than \$1,000 for any reason other than those listed above, the PED may order a special public hearing to consider the requested increase.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Debt Service Fund with appropriations lapsing at year end. Total expenditures of any function category may not exceed categorical appropriations.

To conform with PED's requirements, budgets for all funds of the District are adopted on the cash basis of accounting except for state instructional material credit. State instructional material funds provide for free textbooks from the PED. As a result, budgets are not prepared in conformity with generally accepted accounting principles (GAAP), and budgetary comparisons are presented on the (Non-GAAP) basis of accounting.

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## Statement of Net Position

The Statement of Net Position is presented below. For a more detailed explanation of the District's basic financial statements, statement reconciliation, and Management's Discussion and Analysis, please contact the District's Assistant Superintendent for Finance. See financial statements for the fiscal year ending June 30, 2017 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2017 and the last four years can be downloaded from the State Auditor's website using the following link [http://www.saonm.org/audit\\_reports](http://www.saonm.org/audit_reports).

STATEMENT OF NET POSITION					
Year ending June 30	2013	2014	2015	2016	2017
Governmental Activities					
<b>ASSETS</b>					
Cash, cash equivalents & investments	\$16,388,737	\$26,219,186	\$29,863,655	\$27,806,798	\$31,020,671
Receivable, property taxes	5,062,597	2,534,955	1,228,648	2,140,112	2,557,968
Inventory	528,431	805,606	648,715	532,216	426,013
Total current assets	21,979,765	29,559,747	31,741,018	30,479,126	34,004,652
Non-current:					
Capital assets (net accumulated depreciation)	-	-	151,926,201	151,396,321	153,505,275
Land & land improvements	13,284,768	13,335,416	-	-	-
Construction in progress	69,028,680	2,308,535	-	-	-
Buildings & building improvements	86,507,190	159,248,623	-	-	-
Furniture, fixtures & equipment	19,713,804	19,174,882	-	-	-
Less accumulated depreciation	(53,350,064)	(57,307,278)	-	-	-
Bond issuance costs	-	-	-	-	-
	157,164,143	166,319,925	183,667,219	181,875,447	187,509,927
Deferred Outflows of Resources					
Pension Liability:					
Contributions to pension subsequent to measurement date	-	-	5,695,136	5,726,329	5,575,967
Change in assumptions	-	-	434,687	3,211,284	-
Total deferred outflows of resources	-	-	6,129,823	8,937,613	5,575,967
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 157,164,143</b>	<b>\$ 166,319,925</b>	<b>\$ 189,797,042</b>	<b>\$ 190,813,060</b>	<b>\$ 187,509,927</b>
<b>LIABILITIES AND NET POSITION</b>					
Accounts payable & accrued expenses	\$1,733,491	\$2,158,095	\$1,999,013	\$1,448,128	\$2,355,698
Due within one year - compensated absences	-	-	273,777	296,309	286,328
Due within one year - debt	-	-	2,590,000	2,665,000	2,770,000
Total current liabilities	\$ 1,733,491	\$ 2,158,095	\$ 4,862,790	\$ 4,409,437	\$ 5,412,026
Total deferred inflows of resources	\$ -	\$ -	\$8,825,472	\$2,865,515	\$1,622,191
Deferred revenue	117,631	425,334	-	-	-
Noncurrent liabilities					
Compensated absences	254,915	231,465	19,889	-	-
Due within one year	2,486,092	3,255,338	-	-	-
Net Pension Liability	-	-	83,415,477	93,363,964	103,786,965
Due in more than one year	29,724,067	36,434,852	38,795,000	36,130,000	38,400,000
Total Liabilities	\$34,316,196	\$42,505,084	\$127,093,156	\$133,903,401	\$147,598,991
Invested in capital assets, net of related debt	\$103,037,948	\$97,119,840	\$110,541,201	\$112,601,321	\$112,335,275
Net Position					
Restricted for:					
Debt service	3,871,849	3,697,602	3,207,484	3,251,300	3,549,313
Capital projects	2,752,145	10,037,850	11,715,567	9,237,598	12,356,962
Other	-	3,292,190	3,806,743	4,056,596	4,767,321
Unrestricted	13,186,005	9,667,359	(75,392,581)	(75,102,671)	(80,215,997)
Total Net Position	\$122,847,947	\$123,814,841	\$53,878,414	\$54,044,144	\$52,792,874
<b>TOTAL NET POSITION &amp; LIABILITIES</b>	<b>\$157,164,143</b>	<b>\$166,319,925</b>	<b>\$189,797,042</b>	<b>\$190,813,060</b>	<b>\$202,014,056</b>

Source: The figures above have been extracted from the District's audited financial statements. Such figures are excerpts only and do not purport to be complete. A portion of the independent audit report for the year ended June 30, 2017 is attached as Appendix B.

## Statement of Activities

The Statement of Activities is presented below. For a more detailed explanation of the District's basic financial statements, statement reconciliation, and Management's Discussion and Analysis, please contact the District's Assistant Superintendent for Finance. See financial statements for the fiscal year ending June 30, 2017 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2017 and the last four years can be downloaded from the State Auditor's website using the following link [http://www.saonm.org/audit\\_reports](http://www.saonm.org/audit_reports).

STATEMENT OF ACTIVITIES					
Year ending June 30	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>EXPENSES:</b>					
Governmental activities					
Direct Instruction	(30,492,309)	(34,787,882)	(36,563,905)	(38,327,824)	(40,536,963)
Support Services - Students	(6,845,001)	(5,607,005)	(5,298,540)	(5,670,559)	(4,547,124)
Support Services - Instruction	(1,847,571)	(2,424,514)	(3,652,670)	(3,832,887)	(3,422,497)
Support Services - School Administration	(3,927,497)	(3,959,495)	(1,002,935)	(1,021,947)	(3,746,201)
Support Services - General Administration	(1,065,136)	(1,012,558)	(3,954,787)	(3,938,584)	(982,177)
Central Services	(1,814,198)	(1,752,452)	(1,859,309)	(1,931,835)	(2,135,902)
Operation & Maintenance of Plant	14,847,863	(4,179,196)	7,591,205	(6,489,217)	(5,649,945)
Student Transportation	8,419	-	(7,113)	(81,013)	(10,809)
Other Support Services	(115,810)	(143,356)	(175,863)	(8,313)	(67,813)
Food Services	1,000,668	506,086	(1,373,229)	(1,321,885)	(1,017,740)
Community Services	(34,975)	(51,479)	(29,014)	(43,232)	(41,827)
Facilities acquisition & construction	-	-	-	-	-
Interest on long-term debt	(745,684)	(819,826)	(974,966)	(1,033,255)	(1,118,324)
Depreciation	(41,876)	(3,994,260)	-	-	-
Unallocated	-	-	-	-	-
Total governmental activities	(\$31,073,107)	(\$58,225,937)	(\$47,301,126)	(\$63,700,551)	(\$63,277,322)
<b>REVENUES:</b>					
General revenues					
State equalization guarantee	54,348,778	55,923,662	57,559,253	58,499,279	56,578,931
Property taxes for general purposes	309,029	333,699	343,076	382,613	368,745
Property taxes for capital projects	1,290,147	1,393,619	1,434,373	1,601,899	1,574,365
Property taxes for debt service	3,184,366	3,526,490	3,635,825	4,044,804	3,869,875
Unrestricted investment earnings	405,391	15,329	45,543	109,070	118,004
Gain on sale of fixed assets	-	133,457	-	-	-
Miscellaneous Income	389,034	55,334	359,562	168,333	39,597
Loss on disposal of capital assets	-	-	(132,562)	(939,717)	(523,465)
Change in estimate	-	-	-	-	-
Total general revenues	<u>59,926,745</u>	<u>61,381,590</u>	<u>63,245,070</u>	<u>63,866,281</u>	<u>62,026,052</u>
Changes in net assets	28,853,638	3,155,653	15,943,944	165,730	(1,251,270)
Net assets, beginning	<u>\$ 93,994,309</u>	<u>\$ 120,659,188</u>	<u>\$ 123,814,841</u>	<u>\$ 53,878,414</u>	<u>\$ 54,044,144</u>
Prior period restatement	-	-	(85,880,371) *	-	-
Net position, beginning of year, as restated	<u>-</u>	<u>-</u>	<u>37,934,470</u>	<u>-</u>	<u>-</u>
Net assets, ending	<u>\$ 122,847,947</u>	<u>\$ 123,814,841</u>	<u>\$ 53,878,414</u>	<u>\$ 54,044,144</u>	<u>\$ 52,792,874</u>

Source: The figures above have been extracted from the District's audited financial statements. Such figures are excerpts only and do not purport to be complete. A portion of the independent audit report for the year ended June 30, 2017 is attached as Appendix B.

\* During the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and the related GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date an Amendment of GASB Statement No. 68 by recognizing its net pension liability related to its pension plan. See "Employee Retirement Plan and Other Post-Employment Benefits" herein.

## Balance Sheet – General Fund

The Balance Sheet is presented below. For a more detailed explanation of the District's basic financial statements, statement reconciliation, and Management's Discussion and Analysis, please contact the District's Assistant Superintendent for Finance. See financial statements for the fiscal year ending June 30, 2017 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2017 and the last four years can be downloaded from the State Auditor's website using the following link [http://www.saonm.org/audit\\_reports](http://www.saonm.org/audit_reports).

<b>BALANCE SHEET - GENERAL FUND <sup>(1)</sup></b>					
<i>Year Ending June 30</i>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Assets:</b>					
Cash & investments	\$5,803,947	\$8,774,039	\$10,243,138	\$10,866,169	\$8,404,163
Property Taxes	18,168	18,162	18,288	37,343	36,006
Interfund Receivables					1,872,309
Due from Other Funds	3,726,636	1,107,248	842,855	1,472,829	
Due from Other Governments	79,447	-	5,453	-	16,238
Inventory	<u>485,360</u>	<u>419,626</u>	<u>396,047</u>	<u>274,970</u>	<u>256,563</u>
<b>TOTAL</b>	<b>\$10,113,558</b>	<b>\$10,319,075</b>	<b>\$11,505,781</b>	<b>\$12,651,311</b>	<b>\$10,585,279</b>
<b>Liabilities:</b>					
Accounts Payable	96,785	42,646	104,952	19,615	138,252
Accrued Liabilities	775,762	874,844	813,205	844,723	814,675
Delinquent property taxes	-	10,969	11,578	29,969	
Deferred Revenues	<u>7,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,776</u>
<b>TOTAL</b>	<b>880,138</b>	<b>928,459</b>	<b>929,735</b>	<b>894,307</b>	<b>975,703</b>
<b>Fund Equity:</b>					
Reserved for inventory	485,360	419,626	396,047	274,970	256,563
Reserved for unused textbook credit	-	-	-	750,119	-
Restricted	-	-	1,085,732	-	-
Designated for subsequent year expenses	778,098	798,425	-		
Undesignated	<u>7,969,962</u>	<u>8,172,565</u>	<u>9,094,267</u>	<u>10,731,915</u>	<u>9,353,013</u>
<b>TOTAL</b>	<b>9,233,420</b>	<b>9,390,616</b>	<b>10,576,046</b>	<b>11,757,004</b>	<b>9,609,576</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$10,113,558</b>	<b>\$10,319,075</b>	<b>\$11,505,781</b>	<b>\$12,651,311</b>	<b>\$10,585,279</b>

(1) General Fund includes Operational, Transportation and Instructional Materials.

Source: The figures above have been extracted from the District's audited financial statements. Such figures are excerpts only and do not purport to be complete. A portion of the independent audit report for the year ended June 30, 2017 is attached as Appendix B.

## Statement of Revenues, Expenditures & Changes in Fund Balances

The Statement of Revenues, Expenditures & Changes in Fund Balances is presented below. For a more detailed explanation of the District's basic financial statements, statement reconciliation, and Management's Discussion and Analysis, please contact the District's Assistant Superintendent for Finance. See financial statements for the fiscal year ending June 30, 2017 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2017 and the last four years can be downloaded from the State Auditor's website using the following link [http://www.saonm.org/audit\\_reports](http://www.saonm.org/audit_reports).

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GENERAL FUND <sup>(1)</sup>

<i>Year Ending June 30</i>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Revenues:</b>					
Local Sources	\$315,854	\$329,256	\$338,040	\$352,644	\$375,938
State Sources	56,553,436	57,697,345	59,485,574	60,947,097	56,578,931
Federal Sources	326,444	280,043	287,993	269,134	234,298
Interest	12,563	9,128	33,905	8,250	97,944
Miscellaneous	<u>113,144</u>	<u>188,791</u>	<u>191,646</u>	<u>338,779</u>	<u>151,659</u>
<i>Total</i>	\$57,321,441	\$58,504,563	\$60,337,158	\$59,467,217	\$57,438,770
<b>Expenditures:</b>					
Instruction	\$35,490,712	\$36,056,990	\$36,650,368	\$36,424,681	\$36,223,810
Support Services - Students	5,344,764	6,070,076	5,966,387	6,147,950	5,020,791
Support Services - Instruction	1,503,786	1,985,168	1,476,284	1,932,039	1,917,767
Support Services - School Administration	3,469,889	3,582,722	3,636,171	3,685,563	3,501,471
Support Services - General Administration	660,685	630,031	619,400	628,142	598,981
Central Services	1,732,651	1,645,269	1,737,745	1,809,054	2,037,166
Operation & Maintenance of Plant	7,109,282	7,207,139	7,546,061	7,313,719	8,418,593
Student Transportation	1,099,977	1,276,617	1,342,104	2,188	-
Other Support Services	115,810	143,355	175,536	7,310	8,313
Capital Outlay	21,621	-	-	-	1,109,187
Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total</i>	\$56,549,177	\$58,597,367	\$59,150,056	\$57,950,646	\$58,836,079
<b>Excess revenues over expenditures</b>	\$772,264	<b>(\$92,804)</b>	\$1,187,102	\$1,516,571	<b>(\$1,397,309)</b>
Fund Balance Beginning of Year	7,961,156	9,233,420	9,390,616	9,490,314	11,006,885
Transfers/Refunds/Adjustments	<u>500,000</u>	<u>250,000</u>	<u>(1,672)</u>	<u>-</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<b>\$9,233,420</b>	<b>\$9,390,616</b>	<b>\$10,576,046</b>	<b>\$11,006,885</b>	<b>\$9,609,576</b>

(1) General Fund includes Operational, Transportation and Instructional Materials.

Source: The figures above have been extracted from the District's audited financial statements. Such figures are excerpts only and do not purport to be complete. A portion of the independent audit report for the year ended June 30, 2017 is attached as Appendix B.

## **Other Funds Maintained by the District**

### Special Revenue Funds

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

### Debt Service Funds

Debt service funds are used to account for the services of long-term debt not being financed by proprietary or nonexpendable trust funds.

### Capital Projects Funds

Capital projects funds are used to account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

### Agency 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 modified accrual basis of accounting. These funds are used to account for assets that the District hold for others in an agency capacity.

## **Employee and Retirement Plan and Other Post Employment Benefits**

The District employs 39 administrators, approximately 559 teachers, 60 related service providers, 159 educational assistants, 11 technology personnel, 81 administrative and clerical personnel, 90 maintenance and custodial personnel, and 63 cafeteria employees.

In addition to the following discussion, Notes 11 and 12 of the District's June 30, 2017 Audited Financial Statements attached hereto as Appendix B provides additional information regarding the District's pension and other post-employment benefit plans.

### ERB Pension Plan:

Plan Description: Substantially all of the District's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board ("ERB") is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers and other employees of State public school districts, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at [www.nmerb.org](http://www.nmerb.org).

### Contributions:

The contribution requirements of defined benefit plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 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. Contributions to the pension plan from the District were \$5,575,967 for the year ended June 30, 2017.

### Pension Liabilities:

The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2016. At June 30, 2017, the District reported a liability of \$103,786,965 for its

proportionate share of the net pension liability. The District's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2016. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2016, the District's proportion was 1.44141%; 1.44220% was its proportion measured as of June 30, 2017. For the year ended June 30, 2017, the District recognized pension expense of \$9,220,501.

On June 25, 2012, the Governmental Accounting Standards Board approved Statement No. 68 which addresses accounting and financial reporting for pensions that are provided to employees of state and local government employers through pension plans that are administered through trusts and also establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. According to Statement No. 68, the School District, as a contributor to ERB, is required to recognize its proportionate share of the collective net pension liability, pension expense, and deferred inflows or outflows of resources of the cost-sharing, multi-employer plan with ERB.

In July 2012, the ERB adopted goals of achieving 95%, plus or minus 5% funded ratio by the year 2042. To achieve this goal, the New Mexico Legislature amended the Educational Retirement Act in the 2013 legislative session (Senate Bill 115; Chapter 61, Laws 2013). The amendments increased employee contributions for members whose salary exceeds \$20,000 per year to 10.1% in Fiscal Year 2014 and 10.7% in Fiscal Year 2015 (ERB members who make less than \$20,000 contribute 7.9% of their gross salary). The legislation also kept in place scheduled increases in employer contribution rates, created a new tier membership for persons who become members of the ERB Fund on or after July 1, 2013, created certain actuarial limitations on benefits of new tier members, placed limitations on future cost of living adjustments ("COLA") for current and future retirees which are tied to the future funded ratios of the Fund, and made certain other clarifying and technical changes.

In December 2013, the New Mexico Supreme Court in *Barlett v. Cameron*, 316 P.3d 889 (N.M. 2013), rejected the claims of certain retired teachers, professors and other public education employees challenging the state constitutionality of Senate Bill 115 to the extent that it reduces the future amounts that all education retirees might receive as annual COLA. The Court held that Article XX, Section 22 of the New Mexico Constitution did not grant the retirees a right to an annual COLA based on the formula in effect on the date of their retirement for the entirety of their retirement. The Court held that in the absence of any contrary indication from the New Mexico Legislature, any future COLA to a retirement benefit is merely a year-to-year expectation that, until paid, does not create a property right under the New Mexico Constitution. Once paid, the COLA, by statute, becomes part of the retirement benefit, and a property right subject to those constitutional protections.

### Pension Plan Statistics

Following is a 5-year history of employer and employee contributions statewide, and average asset balance of the fund:

<b>Fiscal Year Ending June 30</b>	<b>Employer Contributions</b>	<b>Employee Contributions</b>	<b>Net Assets Held in Trust</b>
2013	299,657,530	248,785,187	10,358,058,861
2014	362,462,537	268,693,991	11,442,171,449
2015	395,129,621	294,560,840	11,642,543,051
2016	396,988,557	295,946,396	11,755,860,387
2017	395,843,795	292,809,008	12,509,355,910

*Source: New Mexico Educational Retirement Board, Financial Report*

### Post Employment Benefits

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) (the "RHCA") issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy: The RHCA 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](http://www.nmrhca.state.nm.us).

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

The RHCA 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 plan 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 District's contributions to the RHCA for the years ended June 30, 2016, 2015, and 2014 were \$873,672, \$819,594 and \$805,966 respectively, which equal the required contributions for each year.

The District believes it does not have any liability should the plan be underfunded. In the future, the District's on-going contribution percentage may be increased.

## **TAX EXEMPTION**

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the Bonds is excluded from gross income under present federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds (the "Tax Code") and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code under present federal income tax laws except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. Bond Counsel is further of the opinion that, assuming continuous compliance with certain covenants, interest on the Bonds is exempt from taxation by the State of New Mexico or any subdivision thereof. Bond Counsel expresses no opinion regarding other federal income tax consequences relating to the accrual or receipt of interest on the Bonds. A form of the opinion of Bond Counsel is attached to this Official Statement as Appendix C.

The opinion on federal tax matters will be based on and will assume continuous compliance with certain covenants of the District to be contained in the transcript of proceedings and that are intended to evidence and assure that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel has not and will not independently verify the accuracy of any of the certifications and representations made by the District.

The Code prescribes a number of qualifications that must be met and conditions that must be satisfied in order for the interest on state and local government obligations such as the Bonds to be and remain excluded from gross income for federal income tax purposes. Some of these provisions, including provisions for the rebate by the issuer of certain investment earnings to the federal government, require future or continued compliance after issuance of the obligations in order for the interest to be and continue to be so excluded from the date of issuance. Noncompliance with these requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes and thus to be subject to regular federal income taxes. The District covenants in the Bond Resolution to take all actions that

may be required of it in order for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

Code provisions applicable to corporations (as defined for federal income tax purposes) that impose an alternative minimum tax on a portion of the excess of adjusted current earnings over other alternative minimum taxable income, may subject a portion of the interest of the Bonds earned by corporations to the corporate tax imposed on certain corporations, a branch profits tax imposed on certain foreign corporations doing business in the United States, and a tax imposed on excess net passive income of certain S corporations.

Under the Code, the exclusion of interest from gross income for federal income tax purposes can result in certain adverse federal income tax consequences on items of income or deductions for certain taxpayers, including among them financial institutions, insurance companies, recipients of Social Security and Railroad Retirement benefits, and those that are deemed to incur or continue indebtedness to acquire or carry tax exempt obligations. The applicability and extent of those or other tax consequences will depend upon the particular tax status or other items of income and expense of the owners of the Bonds. Bond Counsel expresses no opinion regarding such consequences.

#### Internal Revenue Service Audit Program

The Internal Revenue Service (the "Service") has an ongoing program auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service will treat the District as the taxpayer and the Bond owners may have no right to participate in such procedure.

None of the District, the Financial Advisor, or Bond Counsel is obligated to defend the tax-exempt status of the Bonds. However, the District has covenanted in the Bond Resolution not to take any action that would cause the interest on the Bonds to lose its exclusion from gross income, except to the extent described above, for the owners thereof for federal income tax purposes. None of the District, the Financial Advisor, or Bond Counsel is responsible to pay or reimburse the costs of any Bond owner with respect to any audit or litigation relating to the Bonds.

## **FINANCIAL INSTITUTION INTEREST DEDUCTION**

The Tax Code generally provides that a financial institution may not deduct that portion of its interest expense which is allocable to tax-exempt interest. The interest expense which is allocable to tax-exempt interest is an amount which bears the same ratio to the institution's interest expense as the institution's average adjusted basis of tax-exempt obligations acquired after August 7, 1986 bears to the average adjusted basis of all assets of the institution. Tax exempt obligations may be treated as if issued prior to August 7, 1986 (and therefore are not subject to this rule) if they are "qualified tax-exempt obligations" as defined in the Code and are designated for this purpose by the issuer. The District has designated the Bonds as "qualified tax-exempt obligations" for this purpose; however, under provisions of the Code dealing with financial institution preference items, certain financial institutions, including banks, are denied 20 percent of their otherwise allowable deduction for interest expense with respect to obligations incurred or continued to purchase or carry the Bonds. In general, interest expense with respect to obligations incurred or continued to purchase or carry the Bonds will be in an amount which bears the same ratio as the institution's average adjusted basis in the Bonds bears to the average adjusted basis of all assets of the institution.

## **ORIGINAL ISSUE DISCOUNT**

The Bonds may be offered at a discount ("original issue discount") equal generally to the difference between public offering price and principal amount. For federal income tax purposes, original issue discount on a Bond accrues periodically over the term of the Bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual or original issue discount increases the holders' tax basis in the Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Holders of Bonds offered at original issue discount should consult their tax advisor for an explanation of the accrual rules.

## **ORIGINAL ISSUE PREMIUM**

The Bonds may be offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Bond through reductions in the holders' tax basis in the Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Bond rather than creating a deductible expense or loss. Holders of Bonds offered at an original issue premium should consult their tax advisor for an explanation of the amortization rules.

## **LITIGATION**

There is no litigation pending about the validity of the Bonds or the use of Bond proceeds, the corporate existence of the District or the titles of their officers or contesting or affecting the District's ability to receive taxes that could be used for Bond payments.

At the time of the original delivery of the Bonds, the District will deliver a no-litigation certificate to the effect that no litigation or administrative action or proceeding is pending or, to the knowledge of the appropriate officials, threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, the effectiveness of the Bond Resolution, the levying or collection of taxes to pay the principal of and interest on the Bonds except as described below or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the Bonds.

## **RATING**

Moody's Investors Service has assigned the Bonds a rating of Aa3 with the understanding that the Bonds will qualify under the New Mexico School District Enhancement Program. See "New Mexico School District Enhancement Program" herein. The underlying rating on the Bonds is Aa3. An explanation of the significance of the rating given by Moody's Investors Service may be obtained from Moody's Investors Service, Inc. at 99 Church Street, New York, New York 10007. There is no assurance that the rating will be obtained or will continue for any given period of time after received or that the rating will be revised downward or withdrawn entirely by the rating agency, if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have effect on the market price of the Bond.

## **THE FINANCIAL ADVISOR**

The District has retained RBC Capital Markets, LLC as financial advisor (the "Financial Advisor") in connection with the preparation, authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Preliminary Official Statement. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds.

## **LEGAL MATTERS**

The opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, Bond Counsel, approving the legality of the Bonds and relating to the tax-exempt status of the Bonds will be furnished to the successful bidder at no cost to the successful bidder. The written approval of the New Mexico Attorney General of the Bonds as to form and legality will be supplied. A draft of the opinion of Bond Counsel is attached hereto as Appendix C.

## **CONTINUING DISCLOSURE UNDERTAKING**

For the benefit of bondholders and to enable a broker, dealer or municipal securities dealer to comply with requirements of Rule 15c2-12 (the "Rule") of the United States Securities and Exchange Commission, the District has undertaken to provide to the Municipal Securities Rulemaking Board (the "MSRB") MSRB's Electronic Municipal Market Access ("EMMA"), its audited financial statements and certain financial and operating information and notices of certain enumerated events. The District will provide financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DEBT AND OTHER FINANCIAL OBLIGATIONS," "TAX BASE," "THE DISTRICT – Student Enrollment," "FINANCES OF THE EDUCATIONAL PROGRAM-State Equalization Guarantee," "Statement of Net Position", "Statement of Activities", "Balance Sheet-General Fund" and "Statement of Revenues & Expenditures & Changes in Fund Balances – General Fund." The District will update and provide this information no later than March 31 of each year, commencing March 31, 2019, for the fiscal year ending on the preceding June 30. A draft of the Continuing Disclosure Undertaking is attached hereto as Appendix E.

Any or all of such information may be incorporated by reference from other documents, as permitted by the Rule. The annual information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, unaudited financial statements must be provided as part of the annual financial information, and audited financial statements when and if audited financial statements become available. Any such financial statements will be prepared in accordance with generally accepted accounting principles and state law requirements, as in effect from time to time. (See Note 1 of the District's audited financial statements included as Appendix B for a description of the accounting principles currently followed in the preparation of the District's audited annual financial statements.)

If the District changes its fiscal year, it may change the date by which it must provide its annual financial information to a date no later than nine months after the end of its new fiscal year. In addition, the District shall provide to EMMA timely notice of any failure to provide required annual financial information on or before the filing date.

### **Event Notices**

The District shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds: 1) principal and interest payment delinquency; 2) non-payment related default, if material; 3) unscheduled draw on debt service reserves reflecting financial difficulties; 4) unscheduled draw on credit enhancements reflecting financial difficulties; 5) substitution of credit or liquidity provider, or their failure to perform; 6) adverse tax opinion, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notice or determination with respect to the tax status of the security, or other material events affecting the tax status of the security; 7) modification to rights of security holders, if material; 8) bond calls; 9) defeasances; 10) release, substitution or sale of property securing repayment of the security, if material; 11) rating change; 12) failure to provide event filing information as required; 13) tender offer/secondary market purchases; 14) merger, consolidation or acquisition and sale of all or substantially all assets; 15) bankruptcy, insolvency, receivership or similar event with respect to the District or an obligated person; 16) appointment of a successor or additional trustee, or the change of name of a trustee, if material; 17) Incurrence of a financial obligation\* of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material <sup>(1)</sup>; and 18) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties. <sup>(1)</sup>

In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

### **Limitations and Amendments**

The District may amend its undertaking from time to time without consent of the Bondholders, if the District delivers to EMMA an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect compliance of the undertaking and the District with the Rule (except that no opinion of counsel shall be required with respect to a change in the date by which the annual financial and operating information must be reported resulting from a change in the District's fiscal year). The undertaking will terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. In addition, the undertaking, or any provision thereof, will be null and void in the event the District delivers to EMMA an opinion of nationally recognized bond counsel to the effect that those portions of the Rule that require the undertaking, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds.

Any failure of the District to provide the annual financial information or any material event notice does not constitute an Event of Default with respect to the Bonds, and an action seeking to compel performance of the undertaking shall be the sole remedy in the event the District fails to comply with the undertaking.

### **Compliance with Prior Undertakings**

For fiscal year 2013, the annual operating data was inadvertently left out when the audited financial statements for fiscal year 2013 were filed on EMMA in March 2014. The annual operating data (Official Statement by reference) was subsequently filed on EMMA on April 24, 2015. A Failure to File Notice to provide annual operating data was submitted to

EMMA on March 11, 2016. Aside from the aforementioned, for the past five years, the District has complied in all material respects with its existing continuing disclosure agreements in accordance with SEC Rule 15c2-12. The District has retained an independent dissemination agent to assist in meeting its disclosure requirements.

\* The term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final Official Statement has been provided to the Municipal Securities Rulemaking Board consistent with Rule 15c2-12.

<sup>(1)</sup> Rule 15c2-12 Compliance will be effective as of February 27, 2019. Amendments to Rule 15c2-12 are now published in the Federal Register as of August 31, 2018.

## ADDITIONAL MATTERS

All summaries of the statutes, resolutions, opinions, contracts, agreements, financial and statistical data and other related reports described in this Official Statement are subject to the actual provisions of such documents. The summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or available for inspection during normal business hours at the offices of the District located at the School Administration Office, or at the offices of RBC Capital Markets, LLC, 6301 Uptown Boulevard, NE, Suite 110, Albuquerque, New Mexico 87110.

## A LAST WORD

Anything in this Official Statement involving matters of opinion or estimates – whether labeled as such or not – are just that. They are not representations of fact. They might not prove true. Neither this Official Statement nor any other written or oral information is to be construed as a contract with the registered owners of the Bonds.

The District has duly authorized the execution and delivery of this Official Statement.

/s/ Terry Martin  
President, Board of Education

/s/ Kyle Snider  
Secretary, Board of Education

## APPENDIX A

### ECONOMIC & DEMOGRAPHIC INFORMATION

# THE ECONOMY

## General

Clovis Municipal School District No. 1 (2010 est. population 40,000) is located on the High Plains in eastern New Mexico. The stable economy is not dependent on any single industry for support. Agriculture is important to the District as well as transportation, defense, manufacturing, retail trade and government.

The climate is quite delightful. Outdoor activities may be enjoyed during all seasons of the year. The annual average temperature is 62 degrees with an average humidity of 58% year round. The region averages 335 days of sunshine and about 17 1/2 inches of rainfall per year.

Transportation is provided through a modern highway system which includes US Highways 60, 70 and 84 and New Mexico Highways 18, 423 and 77. The Atchison, Topeka and Santa Fe railway also operates a major switching facility at its Clovis railroad yard. Air transportation is also available through the Clovis Municipal Airport where Mesa Air operates daily flights to and from Albuquerque, New Mexico.

***The City of Clovis*** "Cattle Capitol of the Southwest" is the County Seat of Curry County. Founded in 1907 and incorporated in 1909, the City operates under a home rule charter adopted in 1971. Eight commissioners, two each from four Districts, are elected for four year staggered terms, at a non-partisan election every two years. The Mayor is elected at large for a four-year term. The City Commission appoints a City Manager who acts as Chief Administrative Officer of the City.

Located at an elevation of approximately 4,280 feet, the City is approximately 105 miles from Amarillo, Texas; 100 miles from Lubbock, Texas; and 220 miles from Albuquerque, New Mexico. Clovis is the largest city in the region and the retail trade headquarters with an economic base of over \$500 million annually.

***Curry County, New Mexico*** was created in 1909 by the New Mexico legislature. The County operates under a commissioner form of government and provides the following services: public safety, county road maintenance, recreation, education, public facility improvements and general administrative services. The County encompasses 1,404 square miles and includes the incorporated communities of Clovis, Grady, Melrose and Texico.

***Cannon Air Force Base***, is named in honor of General John K. Cannon, a former commander of the Tactical Air Command and is located six miles west of Clovis and is 4,295 feet above sea level. The history of the base began in the late 1920s, when a civilian passenger facility, Portair Field, was established on the site.

Since then until present time, Cannon has had a rich history of different missions.

On May 13, 2005, Cannon AFB was placed on the DoD BRAC list for closure. A BRAC Commission public hearing was held in an effort to get Cannon AFB off the list.

On August 26, 2005, the BRAC recommended that Cannon AFB be placed in an enclave status until Dec.31, 2009. Finding a new mission for Cannon was a top priority for the Air Force. Local and public officials worked diligently to insure Cannon's assets were fully utilized.

On October 1, 2007, a new era began at Cannon AFB as the new Special Operations Wing ("SOW") activated as the 27<sup>th</sup> SOW, a new component of Air Force Special Operations Command ("AFSOC").

On June 18, 2010, the CV-22 Osprey made its official arrival to Cannon AFB. A total of 15 Ospreys are planned for Cannon AFB. The CV-22 Osprey is a tiltrotor aircraft that combines the vertical takeoff, hover and vertical landing qualities of a helicopter with the long-range, fuel efficiency and speed characteristics of a turboprop aircraft. Its mission is to conduct long-range infiltration, exfiltration and resupply missions for special operations forces.

Currently, 4,711 active-duty members, 5,416 family members and 629 permanent party contractors and 5,974 retirees make up the work force at Cannon Air Force Base.

Clovis and Cannon have an enviable base/town relationship. The Committee of Fifty is part of the Clovis/Curry County of Chamber and is a group of people that have a world-renowned reputation for their support of Cannon AFB personnel and their families. They, along with the whole community of Clovis look forward to welcoming the 27<sup>th</sup> Special Operations Wing, their personnel and their families.

## Education

*Clovis Community College* is a two-year comprehensive community college established in 1991. The College offers a variety of academic and vocational instructional programs; student services; community services; developmental education; and social, recreational and cultural enrichment. The current student population is over 4,200.

*Eastern New Mexico University* is located 18 miles from Clovis in Portales, New Mexico. It is a fully accredited co-educational university offering undergraduate, graduate and professional degree-granting programs. The University, a land grant institution of the State of New Mexico, which was founded in 1927, maintains educational facilities on a main campus and has one branch campuses. The Portales campus has an enrollment of over 6,027 students.

## Agriculture

The District is situated in the center of an extensive farming and ranching region. Wheat, sorghum, corn, sugar beets, alfalfa, barley, soybeans and potatoes grow well in the region's many dry land farms. Dairy cattle are present in the area, making dairy production another major contributor to the local economy. In 2014, Curry County accounted for 18.5% of cash receipts for all farm commodities within the State of New Mexico, making it the second largest agricultural center in the State.

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## Population

The following chart sets forth historical and current population data for the City of Clovis, Curry County and the State.

US Census Year	City of Clovis	Curry County	State of New Mexico
1970	28,495	39,517	1,017,055
1980	31,194	42,019	1,303,143
1990	30,954	42,207	1,519,933
2000	31,977	45,044	1,821,078
2010	37,775	48,376	2,112,957
2018 <sup>(1)</sup>	39,420	50,264	2,081,363
2023 <sup>(2)</sup>	39,838	50,838	2,101,278
<b>Growth 2018-2023<sup>(2)</sup></b>	<b>1.05%</b>	<b>1.13%</b>	<b>0.95%</b>

\*Estimates. Source: U.S. Census Bureau: State and County QuickFacts.

1) Estimates. Source: Spotlight, 2018.

2) Projected. Source: Spotlight, 2018.

## Age Distribution

The following table sets forth a comparative age distribution profile for Curry County, the State of New Mexico and the United States.

Age Group	Percent of Population		
	Curry County	New Mexico	United States
0 - 17	27.1%	23.90%	22.80%
18 - 24	11.9%	9.80%	9.80%
25 - 34	17.0%	13.30%	13.40%
35 - 44	12.0%	11.87%	12.60%
45 - 54	9.8%	11.90%	13.10%
55 and Older	22.3%	29.23%	28.30%

Source: Spotlight, 2018.

## Effective Buying Income

The following table reflects the percentage of households by Effective Buying Income (“EBI”) and a five-year comparison of the estimated median household income as reported by Spotlight. EBI is personal income less personal tax and non tax payments. Personal income includes wages and salaries, other labor income, proprietors' income, rental income, dividends, personal interest income and transfer payments. Deductions are made for federal, state and local taxes, non-tax payments such as fines and penalties, and personal contributions for social security insurance.

Effective Buying Income Group	Curry County	New Mexico	United States
Under \$25,000	28.74%	27.27%	20.37%
\$25,000 - \$34,999	13.09%	10.65%	9.21%
\$35,000 - \$49,999	14.45%	13.71%	12.87%
\$50,000 - \$74,999	16.09%	16.84%	17.09%
\$75,000 and over	27.63%	31.53%	40.46%
2014 Est. Median Household Income	\$44,310	\$44,292	\$51,579
2015 Est. Median Household Income	\$44,102	\$45,633	\$53,706
2016 Est. Median Household Income	\$43,183	\$45,445	\$55,551
2017 Est. Median Household Income	\$43,262	\$47,043	\$57,462
2018 Est. Median Household Income	\$42,862	\$48,044	\$60,133

Source: Spotlight, 2018

## Gross Receipts

The following table shows the total reported gross receipts generated in the City of Clovis, Curry County and the State of New Mexico. For the purposes of this table, gross receipts means the total amount of money received from selling property in the State of New Mexico, from leasing property in the State and from performing services in the State. Gross receipts includes, among other things, food sales and services such as legal and medical services.

FYE 6/30	Total Gross Receipts Reported in City of Clovis	Total Gross Receipts Reported in Curry County	Total Gross Receipts Reported in New Mexico
2007	986,237,687	2,230,686,359	103,740,330,414
2008	1,066,111,080	1,423,195,760	110,710,199,751
2009	1,110,592,820	1,470,698,703	104,562,006,074
2010	1,071,410,263	1,391,491,727	94,722,576,401
2011	1,213,573,081	1,726,857,298	102,715,750,442
2012	1,328,667,915	2,418,965,409	104,221,140,556
2013	1,274,301,464	2,504,997,335	106,300,014,072
2014	1,274,689,564	2,564,604,365	107,584,699,939
2015	1,450,654,310	2,610,389,667	119,726,977,705
2016	1,444,748,247	2,932,108,254	97,151,637,471
2017	939,466,752	2,143,692,063	110,710,199,751

Source: NM Taxation & Revenue Department

## Employment & Major Employers

The following table, derived from information supplied by New Mexico Workforce Solutions, presents information on employment within Curry County, the State of New Mexico, and the United States, for the periods indicated. The annual unemployment figures indicate average rates for the entire year and do not reflect monthly or seasonal trends.

Year <sup>(1)</sup>	Curry County		State of New Mexico		United States
	Labor Force	%	Labor Force	%	% Unemployed
		Unemployed		Unemployed	
2018	22,276	4.30%	934,178	5.80%	4.40%
2017	21,850	5.13%	929,567	6.20%	4.40%
2016	21,865	4.30%	928,732	6.70%	4.90%
2015	21,751	4.90%	927,999	6.50%	5.30%
2014	21,678	5.10%	927,142	6.70%	6.20%
2013	21,450	5.10%	923,899	6.90%	7.40%
2012	21,722	4.90%	927,795	7.10%	8.10%
2011	21,546	5.10%	930,356	7.50%	8.90%
2010	21,579	5.40%	936,088	8.10%	9.60%
2009	21,360	4.50%	940,352	7.50%	9.30%

(1) Numbers are annual averages.

(2) Data for the month of July 2018. Numbers are Preliminary.

Source: U.S. Bureau of Labor Statistics, August 2018.

Major Employers - Curry County	
Cannon AFB Active Duty, Contractors & Civillian Personnel	9,800
Allsup's Convenience Stores	2,800
Clovis Municipal Schools	1,300
Community Homecare	720
Plains Regional Medical Center	580
Burlington Northern Santa Fe Railway	460
Eastern New Mexico University	450
Wal Mart Store #821	410
City of Clovis	410
Southwest Cheese, LLC	377

Source: Clovis Industrial Development Corporation, July 2018

## Covered Wage and Salary Employment by NAICS Code Classification

The New Mexico Department of Workforce Solutions publishes quarterly reports of covered employment and wages. Employment is classified according to the [North American Industry Classification System \(NAICS\)](#).

	2014	2015	2016	2017	2018 <sup>(1)</sup>
Grand Total	17,024	17,375			
Total Private	13,710	13,965	13,755	14,054	13,567
Accommodation and Food Services	1,767	1,743	1,747	1,846	1,782
Administrative and Waste Services	508	526	426	517	498
Agriculture, Forestry, Fishing & Hunting	1,441	1,531	1,465	1,451	1,460
Arts, Entertainment, and Recreation	46	44	53	88	96
Construction	839	802	846	869	804
Educational Services	13	16	15	19	20
Finance and Insurance	432	433	438	414	410
Health Care and Social Assistance	2,842	2,930	2,881	2,927	2,847
Information	123	116	109	104	105
Management of Companies and Enterprises	*	*	*	*	393
Manufacturing	670	687	666	669	700
Mining	*	*	*	*	12
Other Services, Ex. Public Admin	490	503	526	503	514
Professional and Technical Services	406	412	422	407	395
Real Estate and Rental and Leasing	202	202	211	220	212
Retail Trade	2,175	2,294	2,252	2,185	2,146
Transportation and Warehousing	548	603	621	571	562
Utilities	101	99	98	117	116
Wholesale Trade	486	490	478	483	495
Total Government	3,314	3,411	3,292	3,253	3,365

(1) Data as of First Quarter of 2018.

\* Withheld to avoid disclosing \* data. Data that are not disclosed for individual industries are always included in the totals. Therefore, the individual industries may not sum to the totals.

Note: Figures shown here are annual averages of quarterly data.

Source: New Mexico Department of Workforce Solutions, Quarterly Census of Employment and Wages program.

APPENDIX B

AUDITED FINANCIAL STATEMENTS – JUNE 30, 2017



**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**JUNE 30, 2017**

## INTRODUCTORY SECTION

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CLOVIS MUNICIPAL SCHOOLS  
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JUNE 30, 2017**

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CLOVIS MUNICIPAL SCHOOLS  
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**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
OFFICIAL ROSTER  
JUNE 30, 2017**

**Board of Education**

<b><u>Name</u></b>	<b><u>Title</u></b>
Paul Cordova	President
Terry Martin	Vice - President
Justin Howalt	Secretary
Kyle Snider	Member
Cindy Osburn	Member

**School Officials**

Jody Balch	Superintendent
Joe Strickland	Deputy Superintendent of Instruction
Carrie Bunce	Deputy Superintendent of Operations
Dr. Kerry Parker	Assistant Superintendent of Human Resources
Shawna Russell	Assistant Superintendent of Finance

## FINANCIAL SECTION



## INDEPENDENT AUDITOR'S REPORT

Mr. Tim Keller  
New Mexico State Auditor and  
The Board of Education  
Clovis Municipal Schools  
Clovis, 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 fund and the major special revenue funds of the Clovis Municipal Schools (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility 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 from material misstatement.

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

Mr. Tim Keller  
New Mexico State Auditor and  
The Board of Education  
Clovis Municipal Schools

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 13 and the Schedule of the District's Proportionate Share of Net Pension Liability and Schedule of the District's Contributions on pages 58 and 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards* Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information as required by the New Mexico State Audit Rule (NMAC 2.2.2) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Mr. Tim Keller  
New Mexico State Auditor and  
The Board of Education  
Clovis Municipal Schools

The combining and individual nonmajor fund financial statements, other supplementary information required by NMAC 2.2.2, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, other supplementary information required by NMAC 2.2.2, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

Jaramillo Accounting Group LLC (JAG)  
Albuquerque, New Mexico  
November 13, 2017

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2017**

**Introduction**

This discussion and analysis of Clovis Municipal School District's (District) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the financial performance of the District as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

- The assets of the District exceeded its liabilities at the end of the fiscal year by \$52,792,874. Of this amount, \$112,335,275 is invested in capital assets, \$20,673,596 is restricted for capital projects, debt service purposes, and special revenue funds and (\$80,215,997) is unrestricted.
- The District's total net position decreased by \$1,251,270 due to the lowering of the unit value mid-year and the cash reduction initiated by the State of New Mexico, as more fully described on the next page.
- The District's liabilities increased by \$13,694,590 in fiscal year 2017 primarily because of an increase in the net pension liability of \$10,423,001.
- At June 30, 2017, the fund balance for the general fund was \$9,609,576, which reflects a decrease of \$1,397,309.
- The District's General Obligation Bond debt balance is \$41,170,000, which reflects an overall \$2,375,000 increase due to the issuance of new bonds with the majority of principal payments occurring in later years. Voters authorized new bonds for \$20,000,000 in an election on February 7, 2017, which allows the District to issue this new debt over a four-year period beginning with the fiscal year ending 2018. The final debt issue will be sold in the fall of 2021. During the same time, the District will begin working on a new bond sale to be voted on in February 2021.

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2017**

The District's Condensed Statement of Net Position at June 30 is as follows:

	<u>2017</u>	<u>2016</u>
Current Assets	\$ 34,004,652	\$ 30,479,126
Non-Current Assets	<u>153,505,275</u>	<u>151,396,321</u>
<b>Total assets</b>	<u>187,509,927</u>	<u>181,875,447</u>
Deferred Outflow of Resources	<u>14,504,129</u>	<u>8,937,613</u>
Current Liabilities	5,412,026	4,409,437
Long-Term Liabilities Other than Pension	38,400,000	36,130,000
Net Pension Liability	<u>103,786,965</u>	<u>93,363,964</u>
<b>Total liabilities</b>	<u>147,598,991</u>	<u>133,903,401</u>
Deferred Inflow of Resources	<u>1,622,191</u>	<u>2,865,515</u>
Net Investment in Capital Assets	112,335,275	112,601,321
Restricted	20,673,596	16,545,494
Unrestricted (Deficit)	<u>(80,215,997)</u>	<u>(75,102,671)</u>
<b>Total net position</b>	<u>\$ 52,792,874</u>	<u>\$ 54,044,144</u>

At June 30, 2017, ending net position was \$52,792,874 and at June 30, 2016, ending net position was \$54,044,144 for decrease of \$1,251,270.

The decrease in net position was a result of the increase in Total Assets and Deferred Outflow of Resources Offset by an increase in Total Liabilities and a decrease in Deferred Inflow of Resources, a requirement of GASB 68. Further review of the effects of GASB 68 can be found later in this discussion. For further information, please see the GASB breakdown under Overview of Clovis Municipal School's Financial Position and Operations.



**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2017**

The District's Condensed Statement of Activities for the years ended June 30 is as follows:

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Charges for services	\$ 357,104	\$ 413,456
Operating grants/contributions	13,955,563	12,975,648
Capital grants/contributions	3,133,016	1,869,637
Local property taxes	5,812,985	6,029,316
State aid	56,578,931	58,499,279
Interest income	118,004	109,070
Other	<u>(483,868)</u>	<u>(771,384)</u>
<b>Total revenues</b>	<u>79,471,735</u>	<u>79,125,022</u>
<b>Expenses</b>		
Direct instruction	44,317,506	42,318,853
Support services	16,996,469	17,670,205
Central services	2,135,902	1,931,835
Operation & maintenance of plant	8,782,961	8,358,854
Student transportation	1,795,513	1,943,363
Operation of non-support services	5,576,330	5,702,927
Interest on long-term debt	<u>1,118,324</u>	<u>1,033,255</u>
<b>Total expenses</b>	<u>80,723,005</u>	<u>78,959,292</u>
<b>Changes in net position</b>	<b>(1,251,270)</b>	165,730
Net position, beginning of year	<u>54,044,144</u>	53,878,414
<b>Net position, end of year</b>	<u>\$ 52,792,874</u>	<u>\$ 54,044,144</u>

**Overview of Financial Statements**

The District's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2017**

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to that of a private sector business.

The *statement of net position* presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both *the statement of net position* and *the statement of activities* distinguish functions of District that are primarily supported by property taxes and state revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through fees and charges. The governmental activities of the district include education, pupil transportation, food service, instructional materials allocations, and community service. The District does not have any business-type activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other school districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Government Funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2017**

The District maintains nine individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the government funds statement of revenues, expenditures, and changes in fund balance for the following funds:

- General Operational Fund
- Transportation Fund
- Instructional Materials Fund
- Food Service Fund
- Title I
- IDEA-B Entitlement
- Bond Building Fund
- Capital Improvements – SB9 (Local) Fund
- Debt Service Fund
- Other Governmental Funds

The first nine funds are considered major funds. Individual fund data for each of the funds included in the Other Governmental Funds, which are considered to be non-major funds, is provided in the form of combining statements following the notes to the financial statements. The District adopts an annual appropriated budget for each of its funds. Budgetary comparative statements have been provided for the major funds to demonstrate compliance with the budgets.

#### Fiduciary Funds

Fiduciary Funds are used to account for resources held in trust for the benefit of parties outside the District. Fiduciary fund financial statements consist of a statement of fiduciary net position and a statement of changes in fiduciary net assets. These funds are not reported in the government-wide financial statements.

#### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### **Overview of Clovis Municipal School's Financial Position and Operations**

As noted earlier, over time, net position may serve as a useful indicator of a government's financial position. A portion (213%) of the District's net position is invested in capital assets (e.g., land, land improvements, buildings and building improvements, and furniture, fixtures, and equipment), less any related debt used to acquire those assets that is still outstanding. The Net Investment in Capital Assets decreased by \$266,046, primarily because of the cost of completed building and building projects and adjusted by depreciation expense and changes in debt associated with buildings. The District uses these capital assets to provide educational services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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On July 1, 2014, the District implemented GASB 68. GASB 68 required the District to record the net unfunded pension liability of the District's entire participant group (current and former employees) in the State's educational retirement system on the District's financial statements (Statement of Net Position). The table below presents the effect of the pension liability in the Statement of Net Position at June 30:

	<b>2017</b>	<b>2016</b>
Pension liability	<b>\$ (103,786,965)</b>	\$ (93,363,964)
Deferred inflows related to pension liability	<b>(1,622,191)</b>	(2,865,515)
Deferred outflows related to the pension liability	<b>14,504,129</b>	8,937,613
<b>Total net position (deficit) related to pension liability</b>	<b><u>\$ (90,905,027)</u></b>	<b><u>\$ (87,291,866)</u></b>

GASB 68 does not allow for the components of the unrestricted net position to be presented separately in the financial statements; however, for the purposes of management's discussion and analysis, we present the following information for the readers of these financial statements:

	<b>2017</b>	<b>2016</b>
Unrestricted (deficit) net position - pension obligation	<b>\$ (90,905,027)</b>	\$ (87,291,866)
Unrestricted net position - other	<b>10,689,030</b>	12,189,195
<b>Total unrestricted (deficit) net position</b>	<b><u>\$ (80,215,997)</u></b>	<b><u>\$ (75,102,671)</u></b>

Changes in the pension liability during the year ended June 30, 2017 resulted **in an additional** pension expense of \$3,613,171 in the Statement of Activities.

Additionally, for comparative analysis, if the effects of GASB 68 were not recorded in the District's financial statements, the District's unrestricted net position would have decreased from \$12,189,195 at June 30, 2016 to \$10,689,030 at June 30, 2017.

All other portions of net position are restricted for the stated purpose. Current and other assets increased by \$3,925,006. This increase was primarily due to an increase in restricted cash in the Bond Building and Capital Improvement Funds, and an increase in receivables in the Operational Fund.

The District continues to utilize local Bond Funds and State Appropriations to construct new schools and make improvements to existing facilities. As a result, long-term liabilities increased \$2,270,000.

The following are major elements of the District's governmental activities leading to the decrease in the changes in net position.

As noted in the preceding schedule, the District is heavily dependent on federal and state aid, which comprises 92% of total revenues. Correspondingly, it spends almost 63% of total expenditures on direct instruction and support services – student/instruction/school administration; the two primary functions that indicate direct school spending. Revenues from local sources experienced a slight increase. The District experienced an increase of \$366,597 in property tax revenues. Federal and State Aid, Operating Grants and contribution sources experienced an increase of \$263,446 compared to 2016. This increase is due to the increase in the

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Capital and Operating Grants and Contributions and an increase and Food Service offset by the significant decrease in State Equalization Guarantee funds of \$1,920,348 where the State of New Mexico decreased the unit value by \$60.61 or 1.5%. For Clovis Schools, that equated to an \$884,506 decrease in state funding. Due to the economic factors of the communities we serve, the District qualifies for substantial Federal assistance.

The remaining major funds had a better outlook when comparing 2016 to 2017. The Debt Service Fund has increased as a result of the changes in long-term debt; refunding higher interest debt and the accelerated bond re-payment plan the District has chosen. The Capital Improvements Fund also showed an increase in FY 2017 revenues. The Bond Building Fund increased due to the issuance of debt.

The fund balance of the District's general fund decreased by \$1,397,309 during the current fiscal year. The combination of the mid-year decreases in the unit value and the cash balance reduction cost \$2,037,690. This District made frugal decisions on spending and was able to maintain the District's high bond rating. The current fiscal year budget reflects a stable cash balance. The District continues to be cautious in its spending, mindful that there are unfunded State of New Mexico mandates, which allow teachers to move levels based on their evaluation instead of completing a dossier. Each level move per teacher costs the District approximately \$12,000 per year.

The District's Debt Service fund balance was \$3,974,216 and is restricted for the payment of debt service. This is a net increase in fund balance of \$285,091. The increase was due to an increase in property tax payments and refunding of higher interest bonds.

There was an increase of \$1,326,783 in the fund balance of the Bond Building Capital Fund resulting in a fund balance of \$6,730,026. The increase was the result of the sale of the final issue of the municipal bond in September 2016. The proceeds of that bond sale will pay the final payments on the new Parkview Elementary School.

### **General Fund Budgetary Highlights**

The District's budget is prepared in compliance with New Mexico State Statutes and New Mexico Public Education Department regulations and is based on revenue and expenditure trends, current year projections for certain transactions including cash receipts, disbursements, and encumbrances and is driven by the Educational Plan for Student Success and Individual Site 90-day plans. The primary focus of the District's budget development process is the General Fund due to funding challenges, legislative mandates for the educational programs and provision of student services, staffing, and other operating decisions. During the course of fiscal year 2017, the District amended its budget as needed. Differences between the original budgeted revenues and the final amended budgeted revenues resulted in a budget decrease of \$2,037,690. This was a result of the funding formula decrease of \$60.61 per unit and the Cash Reduction (CS/SB 114 Laws of 2017, Chapter 3) discussed earlier.

The General Fund had significantly lower actual expenditures compared to final budget amounts in Instruction, Operations and Maintenance of Plant, and Other Support Services due to the strong budgeting controls the District has implemented.

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**Capital Asset and Debt Administration**

At the end of fiscal year 2017, the District had \$223,861,427 invested in capitalized assets with associated accumulated depreciation of \$70,356,152. This investment in capital assets includes land, construction in progress, land improvements, buildings and building improvements, and furniture, fixtures and equipment. For all governmental activities, the amount of capital assets owned by the District was \$153,505,275 at historical cost, net of accumulated depreciation.

Major capital asset events during the current fiscal year included the following:

- CHS Gym Restroom Renovation
- Playgrounds at Barry, Cameo, James Bickley, Mesa, Sandia and Zia Elementary Schools
- CHS Tennis Court - Design
- Marshall Auditorium Roof and Cameo Roof
- Parking Lot Replacements at Cameo Elementary, Freshman Academy, Bella Vista, Barry, and Central Office
- Parkview Design
- Student Desk and Chair replacements in all classrooms at Freshman Academy and Cameo

Construction in progress consisted of major construction projects currently underway in the District which include the New Parkview School; Barry, Cameo, Freshman Academy, and Zia Parking Lot Improvements; new playground equipment at Lincoln Jackson and Los Ninos; the CHS Gym Restroom Renovation; Marshall Chain Length Fencing Project; the Entry Renovation at Bella Vista and other various projects throughout the District.

**Long-Term Obligations**

At the end of the current year, the District had \$41,456,328 in long-term debt related to governmental activities. Of this debt, \$41,170,000 was related to general obligation bonds outstanding at year-end. The debt position of the District is summarized below and is more fully analyzed in the financial statements.

	Balance June 30, 2016	Additions	Deletions	<b>Balance June 30, 2017</b>	Due Within One Year
Bonds payable	\$ 38,795,000	\$ 8,515,000	\$ (6,140,000)	<b>\$41,170,000</b>	\$ 2,770,000
Compensated absences	296,309	287,263	(297,244)	<b>286,328</b>	286,328
<b>Total</b>	<b><u>\$ 39,091,309</u></b>	<b><u>\$ 8,802,263</u></b>	<b><u>\$ (6,437,244)</u></b>	<b><u>\$41,456,328</u></b>	<b><u>\$ 3,056,328</u></b>

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
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The District's total debt amount was \$41,170,000 at June 30, 2017. On August 1, 2016, the District reduced the debt principal by \$2,315,000 in accordance with scheduled bond payments. Additionally, the District refunded the 2008 bond, decreasing the interest rate on that bond by an average of 1.57%. Overall, the District increased its debt balances by \$2,365,019, which was due to the issuance of new debt in September 2016.

The District maintained an Aa3/Underlying Aaa bond rating from Moody's Investor Service, Inc. during FY 16-17 despite the cash reduction of \$1,153,184 mandated by the State of New Mexico. Additionally, the District held a bond election on February 7, 2017 in which the voters passed by a margin of over 5 to 1. Clovis Municipal Schools intends to hold its next bond election on February 7, 2021.

**Relevant Current Economic Factors, Decisions and Conditions**

The economy of Curry County and the City of Clovis is based primarily upon agriculture, military, industrial manufacturing, and wholesale/retail distribution. With 4,732 active-duty members, 652 government civilians and 568 permanent party contractors, Cannon Air Force Base is vital to the economic stability of the area. Curry County is the largest agricultural center and has the largest concentration of cattle farms in New Mexico. Unemployment in Curry County has remained lower than the nation, at 5.9% in July 2017.

The population of Curry County has seen a slight increase over the previous year and the student population has shown a slight decrease. The peak enrollment was in the FY 10-11 school year, with 8,470 students. The final student enrollment count for FY 16-17 was 8,367, which included 889 military students from Cannon Air Force Base. Projected enrollment for FY 17-18 was 8,325, which reflects a slight decrease in the student population. Since the District, like all other New Mexico school districts, is funded on a prior year funding formula, (i.e. the student population from this year will determine the amount of funding received in the following year), it must maintain tight budgetary controls in order to meet current year needs with last year's funding. The District's primary general source of revenues is derived from the state funding formula.

Even with a decline in student population, the need still exists to update and renovate some of the District's older schools. By rebuilding older schools such as Parkview Elementary and Highland Elementary, the District will eliminate the need for 11 portable buildings within the next two years. The District is in the process of replacing furniture in all K-12 classrooms. In addition, the District is working towards repairing and/or replacing parking lots in need of improvement and Artificial Turf at the CHS Football field.

In February 2017, the voters approved new bonds for \$20,000,000. This debt authorization will be sold over a four-year period beginning in September 2017 and will conclude in September 2020. The final bond from the May 2013 election sold in September 2016. As old debt is retired, new debt is issued, thereby maintaining a Debt Service tax rate of \$4.95 per \$1,000 of assessed value.

The District receives approximately 60% of its total annual operating budget from the State of New Mexico through the State Equalization Guarantee Funding. The objectives of the formula are (1) to equalize educational opportunity statewide (by manner) and (2) to retain local autonomy in actual use of funds by allowing funds to be used in local districts at the discretion of local policy making bodies. The basis for the formula is in the number of students enrolled. Weighting factors are assigned to students that receive special services (i.e., special education and bilingual education services), as well as other factors based on the training and experience of the teaching staff and the District's at-risk population.

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2017**

**Request for Information**

This financial report is designed to provide various interested parties with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or require additional information, contact the District's Finance Department:

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**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 8,703,851
Restricted cash and cash equivalents	22,316,820
Receivables	2,557,968
Inventory	<u>426,013</u>
<b>Total current assets</b>	<b>34,004,652</b>
<b>Non-current Assets</b>	
Capital assets, net	<u>153,505,275</u>
<b>Total assets</b>	<b><u>187,509,927</u></b>
<b>Deferred Outflows of Resources</b>	
Related to pensions	<u>14,504,129</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	1,116,120
Accrued payroll liabilities	814,675
Accrued interest	424,903
Compensated absences	286,328
Due within one year - debt	<u>2,770,000</u>
<b>Total current liabilities</b>	<b><u>5,412,026</u></b>
<b>Long-Term Liabilities</b>	
Due in more than one year - debt	38,400,000
Net pension liability	<u>103,786,965</u>
<b>Total long-term liabilities</b>	<b><u>142,186,965</u></b>
<b>Total liabilities</b>	<b><u>147,598,991</u></b>
<b>Deferred Inflows of Resources</b>	
Related to pensions	<u>1,622,191</u>
<b>NET POSITION</b>	
Net investment in capital assets	112,335,275
Restricted for	
Debt service	3,549,313
Capital projects	12,356,962
Other	4,767,321
Unrestricted (deficit)	<u>(80,215,997)</u>
<b>Total net position</b>	<b><u>\$ 52,792,874</u></b>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government</b>					
Governmental activities:					
Instruction	\$ 44,317,506	\$ 191,517	\$ 3,589,026	\$ -	\$ (40,536,963)
Support services:					
Students	8,505,143	-	3,958,019	-	(4,547,124)
Instruction	3,695,135	-	272,638	-	(3,422,497)
General administration	982,177	-	-	-	(982,177)
School administration	3,746,201	-	-	-	(3,746,201)
Other support service	67,813	-	-	-	(67,813)
Central services	2,135,902	-	-	-	(2,135,902)
Operation & maintenance of plant	8,782,961	-	-	3,133,016	(5,649,945)
Student transportation	1,795,513	-	1,784,704	-	(10,809)
Food services operation	5,534,503	165,587	4,351,176	-	(1,017,740)
Community services	41,827	-	-	-	(41,827)
Interest on long-term obligations	<u>1,118,324</u>	-	-	-	<u>(1,118,324)</u>
<b>Total Primary Government</b>	<u>\$ 80,723,005</u>	<u>\$ 357,104</u>	<u>\$ 13,955,563</u>	<u>\$ 3,133,016</u>	<u>(63,277,322)</u>
<b>General revenues:</b>					
Property taxes:					
Levied for general purpose					368,745
Levied for debt services					3,869,875
Levied for capital projects					1,574,365
State equalization guarantee					56,578,931
Unrestricted investment earnings					118,004
Loss on disposal of capital assets					(523,465)
Miscellaneous					<u>39,597</u>
<b>Total general revenues</b>					<u>62,026,052</u>
<b>Changes in net position</b>					(1,251,270)
Net position, beginning of year					<u>54,044,144</u>
<b>Net position - end of year</b>					<u>\$ 52,792,874</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	OPERATIONAL FUNDS			
	Fund 11000	Fund 13000	Fund 14000	Fund 21000
	General Operational	Transportation	Instructional Materials	Food Service
<b>Assets</b>				
Cash and cash equivalents	\$ 3,161,766	\$ -	\$ 836,752	\$ 3,055,516
Restricted cash and cash equivalents	5,242,397	-	-	-
Accounts receivable				
Property taxes	36,006	-	-	-
Due from other governments	16,238	-	-	-
Other receivables	-	-	-	-
Interfund receivables	1,872,309	-	-	-
Inventory	256,563	-	-	169,450
<b>Total Assets</b>	<u>\$ 10,585,279</u>	<u>\$ -</u>	<u>\$ 836,752</u>	<u>\$ 3,224,966</u>
<b>Liabilities</b>				
Accounts payable	\$ 138,252	\$ -	\$ -	\$ 19,013
Accrued payroll liabilities	814,675	-	-	-
Interfund payables	-	-	-	-
Unearned revenues	-	-	-	-
<b>Total Liabilities</b>	<u>952,927</u>	<u>-</u>	<u>-</u>	<u>19,013</u>
<b>Deferred Inflows of Resources</b>				
Delinquent property taxes	22,776	-	-	-
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>975,703</u>	<u>-</u>	<u>-</u>	<u>19,013</u>
<b>Fund Balance</b>				
Nonspendable	256,563	-	-	169,450
Restricted for:				
General fund	-	-	836,752	-
Special revenue	-	-	-	3,036,503
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	9,353,013	-	-	-
<b>Total Fund Balance</b>	<u>9,609,576</u>	<u>-</u>	<u>836,752</u>	<u>3,205,953</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 10,585,279</u>	<u>\$ -</u>	<u>\$ 836,752</u>	<u>\$ 3,224,966</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)  
JUNE 30, 2017**

	<i>Fund 24101</i>	<i>Fund 24106</i>	<i>Fund 31100</i>	<i>Fund 31701</i>
	Title I	IDEA-B Entitlement	Bond Building	Capital Improvements SB-9 Local
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	-	-	7,668,307	5,158,545
Accounts receivable				
Property taxes	-	-	-	151,520
Due from other governments	552,790	709,209	-	-
Other receivables	-	-	-	-
Interfund receivables	-	-	-	-
Inventory	-	-	-	-
<b>Total Assets</b>	<u>\$ 552,790</u>	<u>\$ 709,209</u>	<u>\$ 7,668,307</u>	<u>\$ 5,310,065</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 938,281	\$ -
Accrued payroll liabilities	-	-	-	-
Interfund payables	552,790	709,209	-	-
Unearned revenues	-	-	-	-
<b>Total Liabilities</b>	<u>552,790</u>	<u>709,209</u>	<u>938,281</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>				
Delinquent property taxes	-	-	-	95,929
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>552,790</u>	<u>709,209</u>	<u>938,281</u>	<u>95,929</u>
<b>Fund Balance</b>				
Nonspendable	-	-	-	-
Restricted for:				
General fund	-	-	-	-
Special revenue	-	-	-	-
Capital projects	-	-	6,730,026	5,214,136
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>Total Fund Balance</b>	<u>-</u>	<u>-</u>	<u>6,730,026</u>	<u>5,214,136</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 552,790</u>	<u>\$ 709,209</u>	<u>\$ 7,668,307</u>	<u>\$ 5,310,065</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)  
JUNE 30, 2017**

	<i>Fund 41000</i>		
	Debt Service	Other Governmental	Total
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 1,649,817	\$ 8,703,851
Restricted cash and cash equivalents	3,834,771	412,800	22,316,820
Accounts receivable			
Property taxes	380,320	-	567,846
Due from other governments	-	660,626	1,938,863
Other receivables	-	51,259	51,259
Interfund receivables	-	-	1,872,309
Inventory	-	-	426,013
<b>Total Assets</b>	<u>\$ 4,215,091</u>	<u>\$ 2,774,502</u>	<u>\$ 35,876,961</u>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 20,574	\$ 1,116,120
Accrued payroll liabilities	-	-	814,675
Interfund payables	-	610,310	1,872,309
Unearned revenues	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>630,884</u>	<u>3,803,104</u>
<b>Deferred Inflows of Resources</b>			
Delinquent property taxes	<u>240,875</u>	<u>-</u>	<u>359,580</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>240,875</u>	<u>630,884</u>	<u>4,162,684</u>
<b>Fund Balance</b>			
Nonspendable	-	-	426,013
Restricted for:			
General fund	-	-	836,752
Special revenue	-	1,730,818	4,767,321
Capital projects	-	412,800	12,356,962
Debt service	3,974,216	-	3,974,216
Assigned	-	-	-
Unassigned	-	-	9,353,013
<b>Total Fund Balance</b>	<u>3,974,216</u>	<u>2,143,618</u>	<u>31,714,277</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 4,215,091</u>	<u>\$ 2,774,502</u>	<u>\$ 35,876,961</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017**

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

Fund balances - total governmental funds	\$	31,714,277
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds:

Capital assets		223,861,427
Accumulated depreciation		(70,356,152)

Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Property taxes		359,580
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Deferred inflow of resources are not financial resources and are not reported in the funds and include:

Related to pensions		(1,622,191)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bond payable		(41,170,000)
Accrued interest payable		(424,903)
Compensated absences		(286,328)
Net pension liability		(103,786,965)

Deferred outflow of resources are not financial resources and are not reported in the funds and include:

Related to pensions		14,504,129
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<b>Total net position - government funds</b>	<b>\$</b>	<b><u>52,792,874</u></b>
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*See Notes to Financial Statements.*

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	OPERATIONAL FUNDS			
	Fund 11000	Fund 13000	Fund 14000	Fund 21000
	General Operational	Transportation	Instructional Materials	Food Service
<b>Revenues</b>				
Property taxes	\$ 375,938	\$ -	\$ -	\$ -
State grants	56,578,931	1,784,327	376,325	-
Federal grants	234,298	-	-	4,235,588
Miscellaneous	144,268	-	5,535	-
Charges for services	7,391	-	-	165,933
Interest	97,944	-	-	-
<b>Total revenues</b>	<u>57,438,770</u>	<u>1,784,327</u>	<u>381,860</u>	<u>4,401,521</u>
<b>Expenditures</b>				
Current				
Instruction	36,223,810	-	294,473	-
Support services				
Students	5,020,791	-	-	-
Instruction	1,917,767	-	-	-
General administration	598,981	-	-	-
School administration	3,501,471	-	-	-
Central services	2,037,166	-	-	-
Operation & maintenance of plant	8,418,593	-	-	-
Student transportation	-	1,785,081	-	-
Other support services	8,313	-	-	-
Food services operations	-	-	-	4,386,138
Community services	-	-	-	-
Capital outlay	1,109,187	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>58,836,079</u>	<u>1,785,081</u>	<u>294,473</u>	<u>4,386,138</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(1,397,309)</u>	<u>(754)</u>	<u>87,387</u>	<u>15,383</u>
<b>Other financing sources (uses)</b>				
Operating transfers	-	-	-	-
Proceeds from bond issuance	-	-	-	-
Proceeds from refunding debt issuance	-	-	-	-
Bond underwriter discount	-	-	-	-
Bond underwriter premium	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net changes in fund balances</b>	(1,397,309)	(754)	87,387	15,383
Fund balances, beginning of year	<u>11,006,885</u>	<u>754</u>	<u>749,365</u>	<u>3,190,570</u>
<b>Fund balances, end of year</b>	<u>\$ 9,609,576</u>	<u>\$ -</u>	<u>\$ 836,752</u>	<u>\$ 3,205,953</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

	<i>Fund 24101</i>	<i>Fund 24106</i>	<i>Fund 31100</i>	<i>Fund 31701</i>
	Title I	IDEA-B Entitlement	Bond Building	Capital Improvements SB-9 Local
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ 1,603,710
State grants	-	-	1,081,140	-
Federal grants	2,032,389	2,314,449	-	-
Miscellaneous	-	-	-	4,828
Charges for services	-	-	-	-
Interest	-	-	8,572	7,779
<b>Total revenues</b>	<u>2,032,389</u>	<u>2,314,449</u>	<u>1,089,712</u>	<u>1,616,317</u>
<b>Expenditures</b>				
Current				
Instruction	1,167,709	370,001	-	-
Support services				
Students	564,415	1,662,913	-	-
Instruction	-	8,265	-	-
General administration	234,016	57,055	-	15,480
School administration	35,311	177,250	-	-
Central services	-	37,696	-	-
Operation & maintenance of plant	1,245	-	-	-
Student transportation	8,470	1,269	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	21,223	-	-	-
Capital outlay	-	-	4,867,179	74,813
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>2,032,389</u>	<u>2,314,449</u>	<u>4,867,179</u>	<u>90,293</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>(3,777,467)</u>	<u>1,526,024</u>
<b>Other financing sources (uses)</b>				
Operating transfers	-	-	-	3,688,112
Proceeds from bond issuance	-	-	5,104,250	-
Proceeds from refunding debt issuance	-	-	-	-
Bond underwriter discount	-	-	-	-
Bond underwriter premium	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>5,104,250</u>	<u>3,688,112</u>
<b>Net changes in fund balances</b>	<u>-</u>	<u>-</u>	<u>1,326,783</u>	<u>5,214,136</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>5,403,243</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,730,026</u>	<u>\$ 5,214,136</u>

See Notes to Financial Statements.



**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

*Fund 41000*

<b>Revenues</b>	Debt Service	Other Governmental	Total
Property taxes	\$ 3,945,011	\$ -	\$ 5,924,659
State grants	-	2,399,023	62,219,746
Federal grants	-	2,311,437	11,128,161
Miscellaneous	-	204,313	358,944
Charges for services	-	184,126	357,450
Interest	3,709	-	118,004
<b>Total revenues</b>	<u>3,948,720</u>	<u>5,098,899</u>	<u>80,106,964</u>
<b>Expenditures</b>			
Current			
Instruction	-	957,531	39,013,524
Support services			
Students	-	1,205,610	8,453,729
Instruction	-	4,230	1,930,262
General administration	38,847	33,740	978,119
School administration	-	16,070	3,730,102
Central services	-	44,369	2,119,231
Operation & maintenance of plant	-	-	8,419,838
Student transportation	-	693	1,795,513
Other support services	59,500	-	67,813
Food services operations	-	115,588	4,501,726
Community services	-	20,604	41,827
Capital outlay	-	1,826,361	7,877,540
Debt service			
Principal	6,140,000	-	6,140,000
Interest	1,118,324	-	1,118,324
<b>Total expenditures</b>	<u>7,356,671</u>	<u>4,224,796</u>	<u>86,187,548</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(3,407,951)</u>	<u>874,103</u>	<u>(6,080,584)</u>
<b>Other financing sources (uses)</b>			
Operating transfers	-	(3,688,112)	-
Proceeds from bond issuance	-	-	5,104,250
Proceeds from refunding debt issuance	3,410,750	-	3,410,750
Bond underwriter discount	-	-	-
Bond underwriter premium	282,292	-	282,292
<b>Total other financing sources (uses)</b>	<u>3,693,042</u>	<u>(3,688,112)</u>	<u>8,797,292</u>
<b>Net changes in fund balances</b>	285,091	(2,814,009)	2,716,708
Fund balances, beginning of year	<u>3,689,125</u>	<u>4,957,627</u>	<u>28,997,569</u>
<b>Fund balances, end of year</b>	<u>\$ 3,974,216</u>	<u>\$ 2,143,618</u>	<u>\$ 31,714,277</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

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

Net changes in fund balances - total governmental funds	\$ 2,716,708
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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 position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.

Depreciation expense	(5,072,595)
Capital outlays	7,705,014

Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

Change in deferred inflow related to the property taxes receivable	(80,301)
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The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayments of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Bond proceeds	(8,515,000)
Principal payments on bonds	2,665,000
Refunded bonds	3,475,000

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds:

Decrease in accrued interest payable	12,922
Decrease in accrued compensated absences	9,981
Loss on disposal of capital assets	(523,465)
Contributions to pension plan subsequent to measurement date	5,575,967
Pension expense	<u>(9,220,501)</u>

<b>Change in net position of governmental activities</b>	<b><u>\$ (1,251,270)</u></b>
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*See Notes to Financial Statements.*

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL OPERATIONAL FUND (11000)  
YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual Amount	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Property taxes	\$ 356,054	\$ 370,082	\$ 370,082	\$ -
State grants	58,628,815	56,591,125	56,578,931	(12,194)
Federal grants	199,439	199,439	218,060	18,621
Miscellaneous	95,950	126,850	144,268	17,418
Charges for services	2,025	2,025	7,391	5,366
Interest	90,000	90,000	97,944	7,944
<b>Total revenues</b>	<b>59,372,283</b>	<b>57,379,521</b>	<b>\$ 57,416,676</b>	<b>\$ 37,155</b>
<b>EXPENDITURES</b>				
Current				
Instruction	39,849,235	39,886,850	\$ 36,205,385	\$ 3,681,465
Support services				
Students	6,522,179	6,312,705	5,020,791	1,291,914
Instruction	2,551,304	2,551,304	1,917,767	633,537
General administration	704,037	710,178	598,958	111,220
School administration	3,945,993	3,953,893	3,501,471	452,422
Central services	1,966,598	2,180,870	2,037,166	143,704
Operation & maintenance of plant	10,694,151	10,082,625	8,299,980	1,782,645
Student transportation	10,000	10,000	-	10,000
Other support services	79,802	99,802	8,313	91,489
Operation of non-instructional services				
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	3,700,000	2,242,310	1,109,187	1,133,123
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<b>Total expenditures</b>	<b>70,023,299</b>	<b>68,030,537</b>	<b>\$ 58,699,018</b>	<b>\$ 9,331,519</b>
<b>BUDGETED CASH BALANCE</b>	<b>\$ (10,651,016)</b>	<b>\$ (10,651,016)</b>		

**Reconciliation of budgetary basis to modified accrual statements**

<b>REVENUES</b>	
Budgetary basis	\$ 57,416,676
Change in receivables	22,094
Modified accrual basis	<b>\$ 57,438,770</b>
<b>EXPENDITURES</b>	
Budgetary basis	\$ 58,699,018
Change in payables	137,061
Modified accrual basis	<b>\$ 58,836,079</b>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
TRANSPORTATION FUND (13000)  
YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual Amount	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	1,729,091	1,784,704	1,784,327	(377)
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<b>Total revenues</b>	1,729,091	1,784,704	\$ 1,784,327	\$ (377)
<b>EXPENDITURES</b>				
Current				
Instruction	-	-	\$ -	\$ -
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	1,729,091	1,785,082	1,785,081	1
Other support services	-	-	-	-
Operation of non-instructional services				
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<b>Total expenditures</b>	1,729,091	1,785,082	\$ 1,785,081	\$ 1
<b>BUDGETED CASH BALANCE</b>	\$ -	\$ (378)		

**Reconciliation of budgetary basis to modified accrual statements**

<b>REVENUES</b>	
Budgetary basis	\$ 1,784,327
Change in receivables	-
Modified accrual basis	\$ 1,784,327
<b>EXPENDITURES</b>	
Budgetary basis	\$ 1,785,081
Change in payables	-
Modified accrual basis	\$ 1,785,081

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
INSTRUCTIONAL MATERIALS FUND (14000)  
YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual Amount	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	452,158	305,763	376,325	70,562
Federal grants	-	-	-	-
Miscellaneous	-	482	5,535	5,053
Charges for services	-	-	-	-
Interest	-	-	-	-
<b>Total revenues</b>	<u>452,158</u>	<u>306,245</u>	<u>\$ 381,860</u>	<u>\$ 75,615</u>
<b>EXPENDITURES</b>				
Current				
Instruction	452,158	1,055,610	\$ 294,473	\$ 761,137
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<b>Total expenditures</b>	<u>452,158</u>	<u>1,055,610</u>	<u>\$ 294,473</u>	<u>\$ 761,137</u>
<b>BUDGETED CASH BALANCE</b>	<u>\$ -</u>	<u>\$ (749,365)</u>		

**Reconciliation of budgetary basis to modified accrual statements**

<b>REVENUES</b>	
Budgetary basis	\$ 381,860
Change in receivables	-
Modified accrual basis	<u>\$ 381,860</u>
<b>EXPENDITURES</b>	
Budgetary basis	\$ 294,473
Change in payables	-
Modified accrual basis	<u>\$ 294,473</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOOD SERVICE SPECIAL REVENUE FUND (21000)  
YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual Amount	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	3,500,000	3,500,000	3,890,076	390,076
Miscellaneous	280,000	280,000	-	(280,000)
Charges for services	190,000	190,000	165,933	(24,067)
Interest	-	-	-	-
<b>Total revenues</b>	<u>3,970,000</u>	<u>3,970,000</u>	<u>\$ 4,056,009</u>	<u>\$ 86,009</u>
<b>EXPENDITURES</b>				
Current				
Instruction	-	-	\$ -	\$ -
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Food services operations	6,333,936	6,333,936	3,933,815	2,400,121
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<b>Total expenditures</b>	<u>6,333,936</u>	<u>6,333,936</u>	<u>\$ 3,933,815</u>	<u>\$ 2,400,121</u>
<b>BUDGETED CASH BALANCE</b>	<u>\$ (2,363,936)</u>	<u>\$ (2,363,936)</u>		

**Reconciliation of budgetary basis to modified accrual statements**

<b>REVENUES</b>	
Budgetary basis	\$ 4,056,009
Change in receivables	345,512
Modified accrual basis	<u>\$ 4,401,521</u>
<b>EXPENDITURES</b>	
Budgetary basis	\$ 3,933,815
Change in payables	452,323
Modified accrual basis	<u>\$ 4,386,138</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
TITLE I SPECIAL REVENUE FUND (24101)  
YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual Amount	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	2,155,733	2,586,604	2,044,532	(542,072)
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<b>Total revenues</b>	2,155,733	2,586,604	\$ 2,044,532	\$ (542,072)
<b>EXPENDITURES</b>				
Current				
Instruction	1,183,385	1,632,206	\$ 1,167,709	\$ 464,497
Support services				
Students	483,246	576,746	564,415	12,331
Instruction	-	-	-	-
General administration	308,591	267,991	234,016	33,975
School administration	73,761	59,911	35,311	24,600
Central services	-	-	-	-
Operation & maintenance of plant	1,750	1,750	1,245	505
Student transportation	-	14,000	8,470	5,530
Other support services	-	-	-	-
Operation of non-instructional services				
Food services operations	-	-	-	-
Community services	105,000	34,000	21,223	12,777
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<b>Total expenditures</b>	2,155,733	2,586,604	\$ 2,032,389	\$ 554,215
<b>BUDGETED CASH BALANCE</b>	\$ -	\$ -		

**Reconciliation of budgetary basis to modified accrual statements**

<b>REVENUES</b>	
Budgetary basis	\$ 2,044,532
Change in receivables	(12,143)
Modified accrual basis	\$ 2,032,389
<b>EXPENDITURES</b>	
Budgetary basis	\$ 2,032,389
Change in payables	-
Modified accrual basis	\$ 2,032,389

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
IDEA-B SPECIAL REVENUE FUND (24106)  
YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual Amount	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	1,688,565	2,573,041	2,086,344	(486,697)
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<b>Total revenues</b>	1,688,565	2,573,041	\$ 2,086,344	\$ (486,697)
<b>EXPENDITURES</b>				
Current				
Instruction	535,081	526,501	\$ 369,999	\$ 156,502
Support services				
Students	886,522	1,742,612	1,662,915	79,697
Instruction	-	8,300	8,265	35
General administration	41,260	68,529	57,055	11,474
School administration	185,456	185,624	177,250	8,374
Central services	38,396	39,275	37,696	1,579
Operation & maintenance of plant	750	750	-	750
Student transportation	1,100	1,450	1,269	181
Other support services	-	-	-	-
Operation of non-instructional services				
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<b>Total expenditures</b>	1,688,565	2,573,041	\$ 2,314,449	\$ 258,592
<b>BUDGETED CASH BALANCE</b>	\$ -	\$ -		

**Reconciliation of budgetary basis to modified accrual statements**

<b>REVENUES</b>	
Budgetary basis	\$ 2,086,344
Change in receivables	228,105
Modified accrual basis	\$ 2,314,449
<b>EXPENDITURES</b>	
Budgetary basis	\$ 2,314,449
Change in payables	-
Modified accrual basis	\$ 2,314,449

See Notes to Financial Statements.



**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
STATEMENT OF FIDUCIARY  
ASSETS AND LIABILITIES - AGENCY FUNDS  
JUNE 30, 2017**

**Assets**

Cash and cash equivalents	<u>\$ 1,203,034</u>
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**Liabilities**

Deposits held in trust for others	<u>\$ 1,203,034</u>
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*See Notes to Financial Statements.*

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Clovis Municipal School District's (District) operation is in the primary and secondary education of school-age children within its state designated boundaries. The District operates under a school board form of government and provides services traditionally provided by public schools through the 12th grade.

This summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and the notes are the representation of the District's management who is responsible for their integrity and objectivity.

The accounting and reporting policies of the District reflected in the accompanying financial statements conform to accounting principles generally acceptable in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the *Governmental Accounting Standards Board (GASB)* in *Governmental Accounting and Financial Reporting Standards*.

**A. Reporting entity**

GASB Statement No. 14 established criteria for determining the government 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 *Governmental Accounting Standards Board's (GASB) 39, Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, provides additional guidance to determine whether certain organizations, for which the primary government is not financially accountable, should be reported as component units, based on the nature and significance of their relationship with the primary government. Under both GASB 39 and GASB 61 criteria, the Clovis Municipal Schools Foundation (Foundation) meets the criteria for discrete component unit presentation. However, the Foundation does not meet the definition of a material component unit under either generally accepted auditing standards or the NMAC 2.2.2 and, therefore, is not included in these financial statements. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the District in support of its programs. There are no other component units.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-wide and fund financial statements (Continued)**

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

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

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

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

**Deferred outflows of resources.** A consumption of net position by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

**Deferred inflows of resources.** An acquisition of net position by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

**Net position.** The residual of the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Ad valorem taxes (property taxes) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The 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 accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

Governmental funds are used to account for the District's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets, and the servicing of long-term debt. Governmental funds include:

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

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Debt Service Funds* account for the services of long-term debt not being financed by proprietary or nonexpendable trust funds.

The *Capital Projects Funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

**Presentation of major funds.** Under the requirements of GASB No. 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 Operational Fund (Fund 11000)), which include funds that were not required to be presented as major but were at the discretion of management:

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

*Other Operational Funds:*

The *Transportation Fund (Fund 13000)* is used to account for the State Equalization received from the State of New Mexico Public Education Department which is used to pay for the costs associated with transporting school age children.

The *Instructional Materials Fund (Fund 14000)* is used to account for the monies received from the State of New Mexico Public Education Department for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students.

The *Food Service Fund (Fund 21000)* is used to account for federal and local sources of income relating to the food services programs. The Food Service Fund is segregated into two categories: the federal funds category and the non-federal funds category. Federal funds consist of the National School Breakfast and Lunch Programs which are administered by the State of New Mexico for the purpose of making breakfast and lunch available to all school children and to encourage the domestic consumption of agricultural commodities and other food components. The non-federal funds consist of income derived from the snack-bar facilities located throughout the District. Authority for creation of this fund is NMSA 22-13-13.

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

The *IDEA-B Entitlement Special Revenue Fund (Fund 24106)* is used to account for programs funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by Individuals with Disabilities Education Act, Part B, Section 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100,639, and 101-476, 20 U.S.C. 1411-1420.

The *Bond Building Capital Projects Fund (Fund 31100)* is used to account for bond proceeds and any income earned thereon. The proceeds are restricted for the purpose of making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof, as approved by the voters of the District.

*Capital Improvements SB-9 Capital Projects Fund (Fund 31701)* is used to account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by the State of New Mexico's State Equalization Matching and a special tax levy as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978).

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The *Debt Service Fund (Fund 41000)* is used to account for the accumulation of resources for the payment of long-term debt principal and interest.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Program revenues included in the statement of activities derive directly from the program itself or from parties outside the District's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Program revenues are categorized as (a) charges for services, which include revenues collected for cafeteria fees and lost books, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources such as Title I, IDEA-B, Charter Schools, and Magnet school funding to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources such as SB-9 and HB-33 funding to be used for capital projects. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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 employs indirect cost allocation systems for certain federal programs. 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 long-term debt is considered an indirect expense and is reported separately on the statement of activities.

**D. Assets, liabilities and net position or equity**

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

State statutes authorize the District to invest in Money Market Funds, Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool. At June 30, 2017, the District's investments included Money Market Funds and Certificates of Deposit. They are reported at cost.

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, liabilities and net position or equity (Continued)**

Funds deposited in the debt service funds are restricted to pay future principal and interest payments. Proceeds deposited into capital projects funds are legally restricted for capital projects.

**Receivables and Payables.** Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District receives monthly income from a tax levy in Curry County. The funds are collected by the County Treasurer and are remitted to the School District the following month. Under the modified accrual method of accounting, the amounts remitted by the Curry County Treasurer in July and August 2017 is considered ‘measurable and available’ and, accordingly, is recorded as revenue during the year ended June 30, 2017.

Certain Special Revenue Funds are administered on a reimbursement method of funding; the District does not currently have funds are operated on a cash advance method of funding. The funds incurred the cost and submitted the necessary request for reimbursement or advance, respectively. The District also receives federal Medicaid funds that are on a fee for service basis as a contractor.

**Instructional Materials.** The State of New Mexico Public Education Department receives federal material leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, 50% is restricted to the requisition of material listed in the State Board of Education ‘State Adopted Instructional Material’ list, while the other 50% of each allocation is available for purchases directly from vendors, for which the school district receives cash draw-downs, or transfer to the 70% account for requisition of material from the adopted list.

**Inventory.** Inventory is valued at lower of cost (first-in, first-out) or market. Inventory in the General Fund consists of expendable supplies held for consumption. Inventory in the Special Revenue Funds consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as an expenditure at the time individual inventory items are consumed. The U.S.D.A. commodities are recorded at year-end by audit adjusting entries. Commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories and deferred revenue. Non-commodity 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.



**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, liabilities and net position or equity (Continued)**

**Capital Assets.** Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 per Section 12-6-10 NMSA 1978 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government-wide financial statements. The District did not own any infrastructure assets as of June 30, 2017. Information technology equipment, including software, is being capitalized and included in furniture and equipment as the District did not maintain internally developed software. The District capitalizes the cost of library books when purchased. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2017. Capital expenditures made on the District's building construction projects by the NM Public School Facilities Authority have been recorded as a revenue and expenditure in the fund financial statements and have been included as capital assets in the District's government-wide financial statements.

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

Buildings/building improvements	50 years
Vehicles, telecommunications & computer equipment	5-20 years
Office equipment	5-20 years
Other school equipment	10-15 years
Library books	10 years

**Unearned Revenues.** The District recognizes grant revenue at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues.

**Compensated Absences.** The District permits 12-month employees to accumulate a limited amount of earned, but unused, vacation to be paid if not used upon termination from the District. All 12-month personnel accumulate vacation and will receive up to 20 days of vacation payout upon their resignation or termination. This is not limited to administrative personnel. In the government-wide financial statements, the total amount of earned and unused vacation is recorded as a liability. Vacation pay that is expected to be liquidated within the next twelve months is reported as a current liability on the government-wide financial statements and in the



**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, liabilities and net position or equity (Continued)**

governmental fund which will pay it. In the governmental funds, the cost of compensated absences is recognized when payments are made to employees. No liability is reported in the financial statements for unpaid accumulated sick leave as no payment is required upon employee termination.

**Long-Term Obligations.** In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

For fund financial reporting, bond premiums and discounts, as well as issuance costs, are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

**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 New Mexico Education 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. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

**Net Position.** Governmental funds report fund balance classifications that are comprised of a hierarchy, based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

In the government-wide financial statements, fund equity is classified as net position and is displayed in three components:

*Net investment in capital assets:* Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted Net Position:* Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position are restricted for "debt service or capital projects."

*Unrestricted Net Position:* All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, liabilities and net position or equity (Continued)**

**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.

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

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

**E. Revenues**

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

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; and 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance.

**Tax Revenues.** The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Tax revenues are recognized when they are in the hands of the collecting agency.

The District records only the portion of the taxes considered to be 'measurable' and 'available'. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes. Property taxes attach an enforceable lien on property as of January 1. Tax notices are sent to property owners by November 1st of each year to be paid in whole or in two installments by November 10<sup>th</sup> and April 10<sup>th</sup> of each year. Curry County collects County, City and School taxes and distributes them to each fund once per month, except in June when the taxes are distributed twice to close out the fiscal year.

**Federal Impact Aid.** The District also receives Federal Impact Aid in lieu of property taxes for the presumed loss of property taxes that results from the federally owned lands of the Cannon Air Force Base that lie within the District's boundaries but are not subject to property taxes.

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Revenues (Continued)**

**Transportation Distribution.** School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through 12th attending public school within the District.

**Instructional Materials.** The State of New Mexico Public Education Department (PED) receives federal material leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, 50% is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while the other 50% of each allocation is available for purchases directly from vendors.

**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 (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 districts have provided all available resources to the district to meet its capital outlay requirements;
3. The school district has used its resources in a prudent manner;
4. The school 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.

**SB-9 State Match.** The Director shall distribute to any school district that has imposed a tax under the Public School Capital Outlay Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Revenues (Continued)**

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 100% 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.

**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 flow through agency (usually the PED). The various budgets are approved by the Local School Board and the PED.

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

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*Budgetary Information*

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

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

Actual expenditures may not exceed the budget on a functional level, i.e., each budgeted expenditure must be within budgeted amounts. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'series,' this may be accomplished with only local Board of Education approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from Public School Finance Division.

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

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017**

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

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

1. In April or May, the local school board submits to the District Budget Planning Unit (DBPU) of the State of New Mexico Public Education Department (PED) a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the PED by the District shall contain headings and details as described by law and have been approved by the PED.
2. In May or June of each year, the proposed “operating” budget will be reviewed and approved by the DBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.

The “operating” budget will be used by the District until they have been notified that the budget has been approved by the DBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the DBPU.

4. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the PED. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the DBPU.

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 the District has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.
6. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for budget purposes. The Board of Education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico state law prohibits a Governmental Agency from exceeding an individual line item.

Legal budget control for expenditures is by major function as follows: Instruction, Support Services, Operation of Non-Instructional Services, Capital Outlay, and Debt Service.

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017**

**NOTE 3. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS**

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. The District's investment policy does not further its investment choices. All invested funds of the District properly followed State investment requirements as of June 30, 2017.

**Reconciliation of Cash and Temporary Investments**

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

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than 100% of the asked price on United States treasury bills of the same maturity on the day of deposit.

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

The collateral pledged is presented as other supplementary information in this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. Additionally, all deposits in non-interest bearing transaction accounts (such as non-interest bearing checking accounts) at participating institutions are fully guaranteed, regardless of dollar amount.

**Deposits**

New Mexico 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 Schools for a least one half of the amount on deposit with the institution.

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**NOTE 3. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS (CONTINUED)**

The detail of the District's bank accounts and the insured portion of the deposits is as follows:

	Bank of Clovis	Western Bank of Clovis	NM Bank & Trust	Citizen's Bank	Total
Deposits					
Checking	\$ 13,551,877	\$ 6,606,534	\$ 2,924,105	\$ 8,831,933	\$ 31,914,450
Certificates of Deposit	5,825,220	-	-	-	5,825,220
FDIC coverage	<u>(500,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(1,250,000)</u>
Total uninsured public funds	<u>18,877,097</u>	<u>6,356,534</u>	<u>2,674,105</u>	<u>8,581,933</u>	<u>36,489,670</u>
 Collateral requirement (50% of uninsured public funds)	 9,438,548	 3,178,267	 434,741	 4,290,967	 17,342,523
 Pledged collateral held by pledging bank's trust department or agent but not in agency's name	 <u>25,919,953</u>	 <u>7,281,250</u>	 <u>2,900,175</u>	 <u>9,426,470</u>	 <u>45,527,848</u>
 <b>Total over collateralized</b>	 <u>\$ 16,481,405</u>	 <u>\$ 4,102,983</u>	 <u>\$ 2,465,434</u>	 <u>\$ 5,135,503</u>	 <u>\$ 28,185,325</u>

*Custodial Credit Risk – Deposits:* Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2017, \$36,489,670 of the District's bank balance of \$37,739,670 was exposed to custodial credit risk as it was uninsured and the collateral was held by the pledging bank's trust department, not in the District's name. At June 30, 2017, the carrying amount of these deposits was \$32,223,705.

The following table provides a reconciliation from the financial statements to the bank balance:

Government Funds - Balance Sheet	
Cash and cash equivalents and investments	\$ 31,020,671
Statement of Fiduciary Assets and Liabilities - Agency Funds	
Cash and cash equivalents and investments	<u>1,203,034</u>
	32,223,705
Outstanding checks and other reconciling items	5,516,177
Petty cash	<u>(212)</u>
<b>Bank balance of deposits</b>	<u>\$ 37,739,670</u>

**STATE OF NEW MEXICO  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017**

**NOTE 3. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS (CONTINUED)**

The District utilizes internal pooled accounts for certain programs and funds. Negative cash balances in individual funds that were part of the pooled accounts were reclassified as due to/from accounts in the balance sheets as of June 30, 2017.

**NOTE 4. RECEIVABLES**

Receivables (deemed 100% collectible) as of June 30, 2017, are as follows:

	Operational			
	Fund	Title I	IDEA-B	
Property taxes	\$ 36,006	\$ -	\$ -	
Intergovernmental	16,238	552,790	709,209	
Other	-	-	-	
	\$ 52,244	\$ 552,790	\$ 709,209	

	Capital			
	Improvements (SB-9) Local	Debt Service	Other Governmental	
Property taxes	\$ 151,520	\$ 380,320	\$ -	\$ 567,846
Intergovernmental	-	-	660,626	1,938,863
Other	-	-	51,259	51,259
	\$ 151,520	\$ 380,320	\$ 711,885	\$ 2,557,968

**NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

“Interfund balances” have primarily been recorded when funds overdraw their share of pooled cash when the District is waiting for grant reimbursements. The composition of interfund balances as of June 30, 2017 is as follows:

	Receivables	Payables
Major Funds		
General Fund	\$ 1,872,309	\$ -
Title I	-	552,790
IDEA-B	-	709,209
Nonmajor Funds		
Special Revenue Funds	-	610,310
	\$ 1,872,309	\$ 1,872,309



**STATE OF NEW MEXICO  
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JUNE 30, 2017**

**NOTE 6. CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2017 is as follows. Land is not subject to depreciation.

	Balance June 30, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Capital Assets not being depreciated:					
Land	\$ 1,025,970	\$ 462,289	\$ -	\$ -	\$ 1,488,259
Construction in process	<u>17,789,691</u>	<u>5,378,664</u>	<u>-</u>	<u>(20,600,991)</u>	<u>2,567,364</u>
Total capital assets not being depreciated	<u>18,815,661</u>	<u>5,840,953</u>	<u>-</u>	<u>(20,600,991)</u>	<u>4,055,623</u>
Capital Assets being depreciated:					
Land improvements	16,364,500	-	-	2,092,067	18,456,567
Buildings and building improvements	161,260,435	27,397	-	18,508,924	179,796,756
Furniture, fixtures, vehicles and equipment	<u>20,744,617</u>	<u>1,836,664</u>	<u>(1,028,800)</u>	<u>-</u>	<u>21,552,481</u>
Total capital assets being depreciated	<u>198,369,552</u>	<u>1,864,061</u>	<u>(1,028,800)</u>	<u>20,600,991</u>	<u>219,805,804</u>
Less accumulated depreciation:					
Land improvements	6,650,479	509,564	-	-	7,160,043
Buildings and building improvements	43,337,677	3,076,294	(285)	-	46,413,686
Furniture, fixtures, vehicles, and equipment	<u>15,800,736</u>	<u>1,486,737</u>	<u>(505,050)</u>	<u>-</u>	<u>16,782,423</u>
Total accumulated depreciation	<u>65,788,892</u>	<u>5,072,595</u>	<u>(505,335)</u>	<u>-</u>	<u>70,356,152</u>
Net capital assets being depreciated	<u>132,580,660</u>	<u>(3,208,534)</u>	<u>(523,465)</u>	<u>20,600,991</u>	<u>149,449,652</u>
Government activities capital assets, net	<u>\$ 151,396,321</u>	<u>\$ 2,632,419</u>	<u>\$ (523,465)</u>	<u>\$ -</u>	<u>\$ 153,505,275</u>

Depreciation expense was charged to governmental activities for the year ended June 30, 2017 as follows:

Depreciation expenses	
Instruction	\$ 1,823,581
Support services - Students	51,414
Support services - Instruction	1,764,873
Support services - General Administration	4,058
Support services - School Administration	16,099
Fiscal services	16,671
Operation & maintenance of plant	363,123
Food services	<u>1,032,776</u>
	<u>\$ 5,072,595</u>

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**NOTE 7. LONG-TERM DEBT**

During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Bonds payable	\$ 38,795,000	\$ 8,515,000	\$ (6,140,000)	<b>\$41,170,000</b>	\$ 2,770,000
Compensated absences	<u>296,309</u>	<u>287,263</u>	<u>(297,244)</u>	<b><u>286,328</u></b>	<u>286,328</u>
<b>Total</b>	<b><u>\$ 39,091,309</u></b>	<b><u>\$ 8,802,263</u></b>	<b><u>\$ (6,437,244)</u></b>	<b><u>\$41,456,328</u></b>	<b><u>\$ 3,056,328</u></b>

The District's general obligation bonds were issued for the purposes of creating, remodeling, making additions to and furnishing school buildings, and purchasing and improving school grounds and are payable solely from general property taxes that are levied against all taxable property in the District. The bonds are payable out of the Debt Service Fund (Fund 41000). Interest payments are due semi-annually on August 1 and February 1. Interest rates on the bonds range from 2% to 4%. Principal payments in varying amounts are due annually on August 1 through 2032.

The annual requirements to amortize the General Obligation Bonds as of June 30, 2017, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2018	\$ 2,770,000	\$ 986,105	\$ 3,756,105
2019	2,720,000	920,488	3,640,488
2020	2,390,000	858,439	3,248,439
2021	2,355,000	798,970	3,153,970
2022	2,640,000	736,305	3,376,305
2023-2027	17,000,000	2,507,905	19,507,905
2028-2032	<u>11,295,000</u>	<u>465,367</u>	<u>11,760,367</u>
	<b><u>\$ 41,170,000</u></b>	<b><u>\$ 7,273,579</u></b>	<b><u>\$ 48,443,579</u></b>

In prior years, the general fund was typically used to liquidate long-term liabilities other than debt.

Compensated Absences

Twelve-month employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2017, compensated absences decreased \$9,981 from the prior year accrual. See Note 1 for more details.

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CLOVIS MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017**

**NOTE 8. RISK MANAGEMENT**

The District is a member of the New Mexico Public Schools Insurance Authority (NMPSIA). The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the NMPSIA based on claim experience and the status of the pool. The Risk Management Program includes Workers' Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. Also included under the risk management program are Boiler, Machinery and Student Accident Insurance.

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

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

**NOTE 9. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

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

A. Deficit fund balance of individual funds. The following funds reported a deficit fund balance at June 30, 2017:

None

B. Excess of expenditures over appropriations:

None

**NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD**

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017**

**NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

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

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

All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined Section 22-112, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

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

**Contributions.** The contribution requirements of defined benefit plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2017, employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.70% of their gross annual salary. Contributions to the pension plan from the District were \$5,575,967 for the year ended June 30, 2017 which equals the required contribution.

**Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions.** At June 30, 2017, the District reported a liability of \$103,786,965 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the District's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the District's proportion was 1.44220%, which was an increase of .00079% from its proportion measured at June 30, 2015.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017**

**NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

For the year ended June 30, 2017, the District recognized pension expense of \$9,220,501. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual actuarial experience change of assumptions	\$ 450,266	\$ 987,145
Net difference between projected and actual earnings on pension plan investments	6,195,218	-
Changes in assumptions	2,112,687	-
Changes in proportion and differences between District contributions and proportionate share of contributions	169,991	635,046
District contributions subsequent to the measurement date	5,575,967	-
<b>Total</b>	<b>\$ 14,504,129</b>	<b>\$ 1,622,191</b>

The District reported \$5,575,967 as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2018	\$ 1,322,906
2019	1,528,592
2020	2,943,709
2021	1,510,765
2022	-
<b>Total</b>	<b>\$ 7,305,972</b>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017**

**NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

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

Inflation	3.00%
Salary increases	Composed of 3% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.
Investment rate of return	7.75% compounded annually, net of expenses. This is made up of a 3% inflation rate and a 4.75% real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.
Average of Expected Remaining Service Lives	3.77 years.
Mortality	<b>Healthy males:</b> Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB. <b>Healthy females:</b> Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012. <b>Disabled males:</b> RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB. <b>Disabled females:</b> RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB. <b>Active members:</b> RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for pre-retirement mortality.

**STATE OF NEW MEXICO  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017**

**NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

Retirement age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-living increases	2% per year, compounded annually.
Payroll growth	3.5% per year (with no allowance for membership growth).
Contribution accumulation	5.5% increase per year for all years prior to the valuation date. (Contributions are credited with 4% interest, compounded annually, applicable to the account balance in the past as well as the future.)
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equities	35%	
Fixed income	28%	
Alternatives	36%	
Cash	1%	
	<u>100%</u>	<u>7.75%</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017**

**NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

**Discount rate.** A single discount rate of 7.75% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.75%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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

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

	1 % Decrease 6.75%	Current Discount Rate 7.75%	1 % Increase 8.75%
District's proportionate share of the net pension liability	\$ 137,463,425	\$ 103,786,965	\$ 75,845,017

**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 the years ended June 30, 2017 and 2016, which are publicly available at [www.nmerb.org](http://www.nmerb.org).

**NOTE 11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

*Plan Description.* The District contributes to the New Mexico Retiree Health Care Fund, a cost sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents.

The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person’s behalf unless that person retires before the employer’s RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the



**STATE OF NEW MEXICO  
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**NOTE 11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)**

employer's effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years.

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2017, 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, 2017, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District's contributions to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$814,998, \$873,672, and \$819,594, respectively, which equal the required contributions for each year.

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**NOTE 12. CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amount, if any, to be immaterial. The District is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

**NOTE 13. BUDGETED ACTIVITY FUNDS**

The Student Activity Funds, are considered for reporting purposes as agency funds and the related activity has been reported as such in the Schedule of Changes in Fiduciary Assets and Liabilities – Agency Funds.

**NOTE 14. COMMITMENTS**

The District contracts with outside vendors for construction and renovation of various facilities. At June 30, 2017, the District's maintains a portion of contracts outstanding for capital projects.

**NOTE 15. GOVERNMENTAL FUND BALANCE**

In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Some governments may not have policies or procedures that are comparable to those policies that underlie the classifications and therefore would not report amounts in all possible fund balance classifications.

In the governmental financial statements, fund balance is classified and is displayed in five components:

***Nonspendable.*** Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

***Restricted.*** Consists of amounts that are restricted to specific purposes as a result of a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

***Committed.*** Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example: legislation, resolution, ordinance) it employed to previously commit those amounts.

***Assigned.*** Consist of amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017**

**NOTE 15. GOVERNMENTAL FUND BALANCE (CONTINUED)**

*Unassigned.* Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

**NOTE 16. RELATED PARTY TRANSACTIONS**

On May 26, 2016, the Board of Education approved a waiver for fiscal year 2017, in accordance with Section 13-1-194, NMSA 1978, to allow a company owned by a Board Member (Snider Electric) to bid or contract for the procurement of services with the District. Also, on May 26, 2016, the Board of Education approved a waiver for fiscal year 2017, in accordance with Section 13-1-194, NMSA 1978, to allow a company owned by a Board Member (Osburn Tire) to bid or contract for the procurement of services with the District. During the year ended June 30, 2017, the District incurred approximately \$231,064 and \$2,080 in expenditures with Snider Electric and Osburn Tire, respectively. No amounts were owed to or from the companies/District at June 30, 2017.

**NOTE 17. NEW ACCOUNTING PRONOUNCEMENT EFFECTIVE FOR THE YEAR ENDED JUNE 30, 2018**

The Governmental Accounting Standards Board (GASB) issued a new accounting pronouncement (Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*) effective for the year ended June 30, 2018.

As a cost-share employer participating in the Retiree Health Care Authority (Plan or “RHCA”) (see note 11), the District will be required to include in its June 30, 2018 financial statements, the pro rata share of the Plan’s collective “Net Retiree Healthcare Liability”. The Plan’s “Net Retiree Healthcare Liability” represents the difference between Plan’s Total Plan Liability and the Plan’s Net Plan Position, reported at the market value of the investment assets. The amount of the District’s pro rata share of the Plan’s collective “Net Retiree Healthcare Liability” is currently unknown. However, the amount to be included in the District’s June 30, 2018 financial statements, is expected to be material.

**NOTE 18. TAX ABATEMENTS**

**Abatements of Other Governments.** The District is subject to tax abatements granted by the City of Clovis through the Industrial Revenue Bond Act. This program has the stated purposes of promoting industry and trade other than retail trade in the county and municipalities.

**Industrial Revenue Bonds.** Under the Industrial Revenue Bond Act [3-32 NMSA 1978], the City Council can vote to induce an industrial revenue bond in order to induce a manufacturing, industrial, or commercial enterprise to locate or expand in that region, by financing a specified project. The City may include in the agreement a stipulation of an amount or a percentage reduction of property taxes, which can be as much as 100%. This reduction or exemption is applicable for the life of the bond issue, not to exceed 30 years from the date the bonds were issued, and is a significant benefit for borrowers that would not otherwise qualify for a property tax exemption under other constitutional or statutory provisions. Information relevant to disclosure of those programs for the fiscal year ended June 30, 2017 follows:

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017**

**NOTE 18. TAX ABATEMENTS (CONTINUED)**

Agency number for Agency making the disclosure (Abating Agency)	#6038
Abating Agency Name	City of Clovis
Abating Agency Type	Municipality
Tax Abatement Agreement Name	Industrial Revenue Bond
Name of agency affected by abatement agreement (Affected Agency)	Clovis Municipal Schools
Agency number of Affected Agency	#7017
Agency type of Affected Agency	School District
Recipient(s) of tax abatement	Southwest Cheese
Tax abatement program (name and brief description)	Industrial Revenue Bond - 100% Tax Abatement with Payment In Lieu of Taxes to School District/Foundation
Specific Tax(es) Being Abated	Real and Personal Property Taxes
Authority under which abated tax would have been paid to Affected Agency	State of New Mexico Industrial Revenue Bond Act
Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement	\$484,046
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by the Affected Agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	\$100,000 to the Clovis School Foundation
If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission	None Omitted

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
NET PENSION LIABILITY  
EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN  
FOR THE YEARS ENDED JUNE 30, 2017, 2016 AND 2015  
LAST 10 FISCAL YEARS\* (UNAUDITED)**

	June 30			
	Fiscal Year Measurement Date	2017 2016	2016 2015	2015 2014
District's proportion of the net pension liability	<b>1.44220%</b>	1.44141%	1.46196%	
District's proportionate share of the net pension liability	<b>\$103,786,965</b>	\$ 93,363,964	\$ 83,415,477	
District's covered-employee payroll	<b>\$ 40,114,874</b>	\$ 39,355,110	\$ 40,970,214	
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<b>259%</b>	237%	204%	
ERB Plan fiduciary net position as a percentage of the total pension liability	<b>61.58%</b>	63.97%	66.54%	

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

*See Notes to Required Supplementary Information.*

**STATE OF NEW MEXICO**  
**CLOVIS MUNICIPAL SCHOOLS**  
**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS**  
**EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN**  
**FOR THE YEARS ENDED JUNE 30, 2017, 2016 AND 2015**  
**LAST 10 FISCAL YEARS\* (UNAUDITED)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 5,575,967	\$ 5,695,136	\$ 5,299,067
Contributions in relation to the contractually required	<u>(5,575,967)</u>	<u>(5,695,136)</u>	<u>5,299,067</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 40,114,874	\$ 39,355,110	\$ 40,970,214
Contribution as a percentage of covered-employee payroll	13.90%	14.47%	12.93%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

*See Notes to Required Supplementary Information.*

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
JUNE 30, 2017**

***Changes of benefit terms and assumptions.*** For the overall NMERB Plan, there were no benefit or assumption changes adopted since the last actuarial valuation. However, the actual cost of living adjustment (COLA) was less than the expected 2%, which resulted in a net \$138 million decrease in the unfunded actuarial accrued liability.



**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,649,817	\$ -	\$ 1,649,817
Restricted cash and cash equivalents	-	412,800	412,800
Accounts receivable, collectible			
Taxes	-	-	-
Due from other governments	338,483	322,143	660,626
Other receivables	51,259	-	51,259
Interfund receivables	-	-	-
Inventory	-	-	-
<b>Total Assets</b>	<u>\$ 2,039,559</u>	<u>\$ 734,943</u>	<u>\$ 2,774,502</u>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 20,574	\$ 20,574
Accrued payroll liabilities	-	-	-
Interfund payables	308,741	301,569	610,310
Unearned revenues	-	-	-
<b>Total Liabilities</b>	<u>308,741</u>	<u>322,143</u>	<u>630,884</u>
<b>Deferred Inflows of Resources</b>			
Delinquent property taxes	-	-	-
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>308,741</u>	<u>322,143</u>	<u>630,884</u>
<b>Fund Balance</b>			
Nonspendable	-	-	-
Restricted for:			
General fund	-	-	-
Special revenue	1,730,818	-	1,730,818
Capital projects	-	412,800	412,800
Debt service	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
<b>Total Fund Balance</b>	<u>1,730,818</u>	<u>412,800</u>	<u>2,143,618</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 2,039,559</u>	<u>\$ 734,943</u>	<u>\$ 2,774,502</u>

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Revenues</b>			
Property taxes	\$ -	\$ -	\$ -
State grants	351,836	2,047,187	2,399,023
Federal grants	2,311,437	-	2,311,437
Miscellaneous	204,313	-	204,313
Charges for services	184,126	-	184,126
Interest	-	-	-
<b>Total revenues</b>	<u>3,051,712</u>	<u>2,047,187</u>	<u>5,098,899</u>
<b>Expenditures</b>			
Current			
Instruction	957,531	-	957,531
Support services			
Students	1,205,610	-	1,205,610
Instruction	4,230	-	4,230
General administration	33,740	-	33,740
School administration	16,070	-	16,070
Central services	44,369	-	44,369
Operation & maintenance of plant	-	-	-
Student transportation	693	-	693
Other support services	-	-	-
Food services operations	115,588	-	115,588
Community services	20,604	-	20,604
Capital outlay	45,731	1,780,630	1,826,361
Debt service			
Principal	-	-	-
Interest	-	-	-
<b>Total expenditures</b>	<u>2,444,166</u>	<u>1,780,630</u>	<u>4,224,796</u>
<b>Excess of revenues over expenditures</b>	607,546	266,557	874,103
<b>Other financing sources (uses)</b>			
Operating transfers	-	(3,688,112)	(3,688,112)
Proceeds from bond issuances	-	-	-
Bond underwriter discount	-	-	-
Bond underwriter premium	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(3,688,112)</u>	<u>(3,688,112)</u>
<b>Net changes in fund balances</b>	607,546	(3,421,555)	(2,814,009)
Fund balances, beginning of year	<u>1,123,272</u>	<u>3,834,355</u>	<u>4,957,627</u>
<b>Fund balances, end of year</b>	<u>\$ 1,730,818</u>	<u>\$ 412,800</u>	<u>\$ 2,143,618</u>

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
NONMAJOR SPECIAL REVENUE FUNDS – FUND DESCRIPTIONS  
JUNE 30, 2017**

The Special Revenue Funds are used to account for Federal, State and Local funded grants. These grants are awarded to the District with the purpose of accomplishing specific educational tasks. Grants accounted for in the nonmajor Special Revenue Funds include:

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

**Migrant Children Education (Fund 24103).** The purpose of this program is to assist the District in providing a summer school program for migrant students. Federal revenues accounted for in this fund are administered by the New Mexico Public Education Department. Authority for creation of this fund is Chapter I of Title I of the Elementary and Secondary Education Act (ESEA) of 1965 as amended, Public Law 103-382.

**IDEA-B Competitive (Fund 24108).** Research-based model program for the New Mexico Autism Project to improve the outcomes for students with Autism Spectrum Disorders.

**IDEA-B Preschool (Fund 24109).** The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from age three to five. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17.

**IDEA-B Early Intervention (Fund 24112).** Coordinated Early Intervention Services to provide students with services before they are identified as special education.

**English Language Acquisition (Fund 24153).** To provide funds to improve the educational performance of limited English proficient students by assisting the children to learn English and meet State academic content standards.

**Teacher/Principal Training & Recruiting (Fund 24154).** To improve the skills of teachers and the quality of instruction in mathematics and science, and also to increase the accessibility of such instruction to all students.

**Carl D. Perkins (Funds 24174 and 24176).** The objective of this grant is to provide secondary educational institutions the opportunity to develop, implement, and operate programs using different models of curricula that integrate vocational and academic learning. Funds are acquired from federal sources through the New Mexico Department of Education. Authority for creation of this fund is Carl D. Perkins Vocational and Applied Technology Education Act of 1990, as amended, Public Law 105-332.

**Migrant Education Program (Fund 24187).** This fund accounts for the identification and recruitment of migrant students.

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
NONMAJOR SPECIAL REVENUE FUNDS – FUND DESCRIPTIONS (CONTINUED)  
JUNE 30, 2017**

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

**Title XIX MEDICAID (Fund 25153).** To account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children.

**ROTC (Fund 25200).** To account for federal funds received for the implementation of the ROTC program. The authority for creation of this fund is in the State of New Mexico PED Policies and Procedures Manual.

**ENLACE UNM (Fund 26103).** The Engaging Latino Communities for Education initiative is to provide a path of education to pursue a higher education by collaborating with parents and families, communities, school districts, colleges and universities, professional and community organizations; to identify and nurture leaders and teachers to keep kids in school and prepare them for college.

**Walton Family Foundation (Fund 26148).** This fund initiative is focused on education, workforce development, economic opportunity, environmental sustainability, and health and wellness. The authority for creation of this fund is in the State of New Mexico PED Policies and Procedures Manual.

**Clovis Municipal Schools Foundation (Fund 26184).** Fund to account for the monies provided to the District to provide additional educational opportunities in and out of the classroom. Funding provided by foundation donation, the authority provided by the Clovis Municipal School Board.

**Albertson's Community Grant (Fund 26217).** This fund is to account for money from the Albertson's community partners program to support school activities.

**Dual Credit Instructional Materials (Fund 27103).** To purchase college textbooks for students who dual enroll in college credited courses while still attending high school.

**New Mexico Reads to Lead! (Fund 27114).** Reading Initiative legislative funded.

**Truancy Initiative PED (Fund 27141).** The purpose of the Truancy and Dropout Prevention Coaches program is to establish a cohort of truancy and dropout prevention coaches placed in Elementary, Middle and High Schools whose role is to work with students, families, communities, schools, and districts to improve attendance for habitually truant students as well as to decrease the number of students dropping out of school.

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
NONMAJOR SPECIAL REVENUE FUNDS – FUND DESCRIPTIONS (CONTINUED)  
JUNE 30, 2017**

**Breakfast for Elementary Students (Fund 27155).** The 2005 Legislative General Appropriations Act allocated \$475,000 to implement Breakfast in the Classroom for elementary schools in need of improvement based on 2004-2005 AYP designation.

**Kindergarten Three Plus (27166).** The K-3 Plus program provides funding for additional educational time for students in Kindergarten through third grade with at least 25 instructional days, beginning up to two months earlier than the regular school year.

**After School Enrichment Program (27168).** The After School & Summer Enrichment Program creates learning centers that will provide students with a broad range of exceptional school linked learning and developmental opportunities designed to complement the students' regular academic program.

**Parent Advocacy (Fund 27193).** To account for the availability of a Student-Parent Portal program to every district in NM affording them the opportunity to receive services to develop a student-parent portal. These portals can be used to deliver student information and reports to students and parents online. The authority for creation of this fund is in the State of New Mexico PED Policies and Procedures Manual.

**Private Direct Grants (Fund 29102).** To account for local grants awarded to provide additional funding for specific projects.

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
COMBINING BALANCE SHEET -  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2017**

	<i>Fund 22000</i>	<i>Fund 24103</i>	<i>Fund 24108</i>	<i>Fund 24109</i>
	<u>Athletics</u>	<u>Migrant Children Education</u>	<u>IDEA-B Competitive</u>	<u>IDEA-B Preschool</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 88,365	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	-	-	-	-
Accounts receivable, collectible				
Taxes	-	-	-	-
Due from other governments	-	27,337	322	5,242
Other receivables	-	-	-	-
Interfund receivables	-	-	-	-
Investments	-	-	-	-
Restricted investments	-	-	-	-
Inventory	-	-	-	-
<b>Total Assets</b>	<u>\$ 88,365</u>	<u>\$ 27,337</u>	<u>\$ 322</u>	<u>\$ 5,242</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-	-
Interfund payables	-	27,337	322	5,242
Unearned revenues	-	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>27,337</u>	<u>322</u>	<u>5,242</u>
<b>Deferred Inflows of Resources</b>				
Delinquent property taxes	-	-	-	-
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>-</u>	<u>27,337</u>	<u>322</u>	<u>5,242</u>
<b>Fund Balance</b>				
Nonspendable	-	-	-	-
Restricted for:				
General fund	-	-	-	-
Special revenue	88,365	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>Total Fund Balance</b>	<u>88,365</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 88,365</u>	<u>\$ 27,337</u>	<u>\$ 322</u>	<u>\$ 5,242</u>

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
COMBINING BALANCE SHEET -  
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
JUNE 30, 2017**

	<i>Fund 24112</i> IDEA-B Early Intervention	<i>Fund 24129</i> Partnerships in Charter Education	<i>Fund 24153</i> English Language Acquisition	<i>Fund 24154</i> Teacher/Principal Training & Recruiting
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	-	-	-	-
Accounts receivable, collectible				
Taxes	-	-	-	-
Due from other governments	46,045	-	15,935	82,134
Other receivables	-	-	-	-
Interfund receivables	-	-	-	-
Investments	-	-	-	-
Restricted investments	-	-	-	-
Inventory	-	-	-	-
<b>Total Assets</b>	<u>\$ 46,045</u>	<u>\$ -</u>	<u>\$ 15,935</u>	<u>\$ 82,134</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-	-
Interfund payables	46,045	-	15,935	82,134
Unearned revenues	-	-	-	-
<b>Total Liabilities</b>	<u>46,045</u>	<u>-</u>	<u>15,935</u>	<u>82,134</u>
<b>Deferred Inflows of Resources</b>				
Delinquent property taxes	-	-	-	-
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>46,045</u>	<u>-</u>	<u>15,935</u>	<u>82,134</u>
<b>Fund Balance</b>				
Nonspendable	-	-	-	-
Restricted for:				
General fund	-	-	-	-
Special revenue	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>Total Fund Balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 46,045</u>	<u>\$ -</u>	<u>\$ 15,935</u>	<u>\$ 82,134</u>



**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
COMBINING BALANCE SHEET -  
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
JUNE 30, 2017**

	<i>Fund 24174</i> Carl D Perkins Secondary Current	<i>Fund 24176</i> Carl D Perkins Secondary Redistribution	<i>Fund 24187</i> Migrant Regional Recruiting	<i>Fund 25145</i> Impact Aid Special Education
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 60,200
Restricted cash and cash equivalents	-	-	-	-
Accounts receivable, collectible				
Taxes	-	-	-	-
Due from other governments	19,141	5,218	7,446	9,225
Other receivables	-	-	-	-
Interfund receivables	-	-	-	-
Investments	-	-	-	-
Restricted investments	-	-	-	-
Inventory	-	-	-	-
<b>Total Assets</b>	<u>\$ 19,141</u>	<u>\$ 5,218</u>	<u>\$ 7,446</u>	<u>\$ 69,425</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-	-
Interfund payables	19,141	5,218	7,446	-
Unearned revenues	-	-	-	-
<b>Total Liabilities</b>	<u>19,141</u>	<u>5,218</u>	<u>7,446</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>				
Delinquent property taxes	-	-	-	-
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>19,141</u>	<u>5,218</u>	<u>7,446</u>	<u>-</u>
<b>Fund Balance</b>				
Nonspendable	-	-	-	-
Restricted for:				
General fund	-	-	-	-
Special revenue	-	-	-	69,425
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>Total Fund Balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,425</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 19,141</u>	<u>\$ 5,218</u>	<u>\$ 7,446</u>	<u>\$ 69,425</u>

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
COMBINING BALANCE SHEET -  
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
JUNE 30, 2017**

	<i>Fund 25153</i>	<i>Fund 25200</i>	<i>Fund 26103</i>	<i>Fund 26148</i>
	Title XIX Medicaid	ROTC	ENLACE UNM	Walton Family Foundation
<b>Assets</b>				
Cash and cash equivalents	\$ 1,487,102	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	-	-	-	-
Accounts receivable, collectible				
Taxes	-	-	-	-
Due from other governments	71,776	7,480	-	-
Other receivables	-	-	51,259	-
Interfund receivables	-	-	-	-
Investments	-	-	-	-
Restricted investments	-	-	-	-
Inventory	-	-	-	-
<b>Total Assets</b>	<u>\$ 1,558,878</u>	<u>\$ 7,480</u>	<u>\$ 51,259</u>	<u>\$ -</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-	-
Interfund payables	-	7,480	51,259	-
Unearned revenues	-	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>7,480</u>	<u>51,259</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>				
Delinquent property taxes	-	-	-	-
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>-</u>	<u>7,480</u>	<u>51,259</u>	<u>-</u>
<b>Fund Balance</b>				
Nonspendable	-	-	-	-
Restricted for:				
General fund	-	-	-	-
Special revenue	1,558,878	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>Total Fund Balance</b>	<u>1,558,878</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 1,558,878</u>	<u>\$ 7,480</u>	<u>\$ 51,259</u>	<u>\$ -</u>

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
COMBINING BALANCE SHEET -  
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
JUNE 30, 2017**

	<i>Fund 26184</i>	<i>Fund 26217</i>	<i>Fund 27103</i>	<i>Fund 27114</i>
	Clovis Schools Foundation	Albertson's Grant	Dual Credit Instructional Materials	NM Reads to Lead
<b>Assets</b>				
Cash and cash equivalents	\$ 9,031	\$ 1,000	\$ -	\$ -
Restricted cash and cash equivalents	-	-	-	-
Accounts receivable, collectible				
Taxes	-	-	-	-
Due from other governments	-	-	-	-
Other receivables	-	-	-	-
Interfund receivables	-	-	-	-
Investments	-	-	-	-
Restricted investments	-	-	-	-
Inventory	-	-	-	-
<b>Total Assets</b>	<u>\$ 9,031</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-	-
Interfund payables	-	-	-	-
Unearned revenues	-	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>				
Delinquent property taxes	-	-	-	-
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance</b>				
Nonspendable	-	-	-	-
Restricted for:				
General fund	-	-	-	-
Special revenue	9,031	1,000	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>Total Fund Balance</b>	<u>9,031</u>	<u>1,000</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 9,031</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ -</u>

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
COMBINING BALANCE SHEET -  
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
JUNE 30, 2017**

	<i>Fund 27140</i> Family & Youth Resource Pro - PED	<i>Fund 27141</i> Truancy Initiative PED	<i>Fund 27154</i> Beginning Teacher Mentoring Program	<i>Fund 27155</i> Breakfast for Elementary Students
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	-	-	-	-
Accounts receivable, collectible				
Taxes	-	-	-	-
Due from other governments	-	41,182	-	-
Other receivables	-	-	-	-
Interfund receivables	-	-	-	-
Investments	-	-	-	-
Restricted investments	-	-	-	-
Inventory	-	-	-	-
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 41,182</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-	-
Interfund payables	-	41,182	-	-
Unearned revenues	-	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>41,182</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>				
Delinquent property taxes	-	-	-	-
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>-</u>	<u>41,182</u>	<u>-</u>	<u>-</u>
<b>Fund Balance</b>				
Nonspendable	-	-	-	-
Restricted for:				
General fund	-	-	-	-
Special revenue	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>Total Fund Balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ -</u>	<u>\$ 41,182</u>	<u>\$ -</u>	<u>\$ -</u>

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
COMBINING BALANCE SHEET -  
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
JUNE 30, 2017**

	<i>Fund 27166</i> Kindergarten Three Plus	<i>Fund 27168</i> After School Enrichment Program	<i>Fund 27193</i> Parent Advocacy	<i>Fund 29102</i> Private Direct Grants	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 75	\$ -	\$ -	\$ 4,044	\$ 1,649,817
Restricted cash and cash equivalents	-	-	-	-	-
Accounts receivable, collectible					
Taxes	-	-	-	-	-
Due from other governments	-	-	-	-	338,483
Other receivables	-	-	-	-	51,259
Interfund receivables	-	-	-	-	-
Investments	-	-	-	-	-
Restricted investments	-	-	-	-	-
Inventory	-	-	-	-	-
<b>Total Assets</b>	<u>\$ 75</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,044</u>	<u>\$ 2,039,559</u>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-	-	-
Interfund payables	-	-	-	-	308,741
Unearned revenues	-	-	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>308,741</u>
<b>Deferred Inflows of Resources</b>					
Delinquent property taxes	-	-	-	-	-
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>308,741</u>
<b>Fund Balance</b>					
Nonspendable	-	-	-	-	-
Restricted for:					
General fund	-	-	-	-	-
Special revenue	75	-	-	4,044	1,730,818
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total Fund Balance</b>	<u>75</u>	<u>-</u>	<u>-</u>	<u>4,044</u>	<u>1,730,818</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 75</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,044</u>	<u>\$ 2,039,559</u>

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<i>Fund 22000</i>	<i>Fund 24103</i>	<i>Fund 24108</i>	<i>Fund 24109</i>
	Athletics	Migrant Children Education	IDEA-B Competitive	IDEA-B Preschool
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	-	87,152	5,164	73,668
Miscellaneous	-	-	-	-
Charges for services	184,126	-	-	-
Interest	-	-	-	-
<b>Total revenues</b>	<u>184,126</u>	<u>87,152</u>	<u>5,164</u>	<u>73,668</u>
<b>Expenditures</b>				
Current				
Instruction	266,013	14,926	-	341
Support services				
Students	-	62,552	5,164	71,397
Instruction	-	-	-	-
General administration	-	3,559	-	1,930
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	6,115	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>266,013</u>	<u>87,152</u>	<u>5,164</u>	<u>73,668</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(81,887)	-	-	-
<b>Other financing sources</b>				
Operating transfers	-	-	-	-
Proceeds from bond issuances	-	-	-	-
Bond underwriter discount	-	-	-	-
Bond underwriter premium	-	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net changes in fund balances</b>	(81,887)	-	-	-
Fund balances, beginning of year	<u>170,252</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 88,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

	<i>Fund 24112</i>	<i>Fund 24129</i>	<i>Fund 24153</i>	<i>Fund 24154</i>
	IDEA-B Early Intervention	Partnerships in Charter Education	English Language Acquisition	Teacher/Principal Training & Recruiting
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	156,925	-	81,300	388,214
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<b>Total revenues</b>	<u>156,925</u>	<u>-</u>	<u>81,300</u>	<u>388,214</u>
<b>Expenditures</b>				
Current				
Instruction	-	-	68,884	325,201
Support services				
Students	153,159	-	1,428	-
Instruction	-	-	-	-
General administration	3,766	-	5,937	13,341
School administration	-	-	5,051	5,303
Central services	-	-	-	44,369
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>156,925</u>	<u>-</u>	<u>81,300</u>	<u>388,214</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	-	-	-
<b>Other financing sources</b>				
Operating transfers	-	-	-	-
Proceeds from bond issuances	-	-	-	-
Bond underwriter discount	-	-	-	-
Bond underwriter premium	-	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net changes in fund balances</b>	-	-	-	-
Fund balances, beginning of year	-	-	-	-
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

	<i>Fund 24174</i> Carl D Perkins Secondary Current	<i>Fund 24176</i> Carl D Perkins Secondary Redistribution	<i>Fund 24187</i> Migrant Regional Recruiting	<i>Fund 25145</i> Impact Aid Special Education
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	90,748	11,569	67,357	43,207
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<b>Total revenues</b>	<u>90,748</u>	<u>11,569</u>	<u>67,357</u>	<u>43,207</u>
<b>Expenditures</b>				
Current				
Instruction	88,371	10,728	-	-
Support services				
Students	-	-	39,169	29,108
Instruction	-	-	-	-
General administration	2,377	283	1,764	783
School administration	-	558	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	693	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	25,731	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>90,748</u>	<u>11,569</u>	<u>67,357</u>	<u>29,891</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	-	-	13,316
<b>Other financing sources</b>				
Operating transfers	-	-	-	-
Proceeds from bond issuances	-	-	-	-
Bond underwriter discount	-	-	-	-
Bond underwriter premium	-	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net changes in fund balances</b>	-	-	-	13,316
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,109</u>
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,425</u>



**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

	<i>Fund 25153</i>	<i>Fund 25200</i>	<i>Fund 26103</i>	<i>Fund 26148</i>
	Title XIX Medicaid	ROTC	ENLACE UNM	Walton Family Foundation
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	1,297,489	8,644	-	-
Miscellaneous	-	-	165,465	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<b>Total revenues</b>	<u>1,297,489</u>	<u>8,644</u>	<u>165,465</u>	<u>-</u>
<b>Expenditures</b>				
Current				
Instruction	-	8,644	64,098	-
Support services				
Students	591,876	-	86,878	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	14,489	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>591,876</u>	<u>8,644</u>	<u>165,465</u>	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	705,613	-	-	-
<b>Other financing sources</b>				
Operating transfers	-	-	-	-
Proceeds from bond issuances	-	-	-	-
Bond underwriter discount	-	-	-	-
Bond underwriter premium	-	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net changes in fund balances</b>	705,613	-	-	-
Fund balances, beginning of year	<u>853,265</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 1,558,878</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

	<i>Fund 26184</i>	<i>Fund 26217</i>	<i>Fund 27103</i>	<i>Fund 27114</i>
	Clovis Schools Foundation	Albertson's Grant	Dual Credit Instructional Materials	NM Reads to Lead
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	30,891	-
Federal grants	-	-	-	-
Miscellaneous	30,349	1,000	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<b>Total revenues</b>	<u>30,349</u>	<u>1,000</u>	<u>30,891</u>	<u>-</u>
<b>Expenditures</b>				
Current				
Instruction	35,734	-	30,891	-
Support services				
Students	5,000	-	-	-
Instruction	4,230	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>44,964</u>	<u>-</u>	<u>30,891</u>	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(14,615)	1,000	-	-
<b>Other financing sources</b>				
Operating transfers	-	-	-	-
Proceeds from bond issuances	-	-	-	-
Bond underwriter discount	-	-	-	-
Bond underwriter premium	-	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net changes in fund balances</b>	(14,615)	1,000	-	-
Fund balances, beginning of year	<u>23,646</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 9,031</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ -</u>

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

	<i>Fund 27140</i> Family & Youth Resource Pro - PED	<i>Fund 27141</i> Truancy Initiative PED	<i>Fund 27154</i> Beginning Teacher Mentoring Program	<i>Fund 27155</i> Breakfast for Elementary Students
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	157,052	-	115,588
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<b>Total revenues</b>	<u>-</u>	<u>157,052</u>	<u>-</u>	<u>115,588</u>
<b>Expenditures</b>				
Current				
Instruction	-	-	-	-
Support services				
Students	-	157,052	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	115,588
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>157,052</u>	<u>-</u>	<u>115,588</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	-	-	-
<b>Other financing sources</b>				
Operating transfers	-	-	-	-
Proceeds from bond issuances	-	-	-	-
Bond underwriter discount	-	-	-	-
Bond underwriter premium	-	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net changes in fund balances</b>	-	-	-	-
Fund balances, beginning of year	-	-	-	-
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

	<i>Fund 27166</i> Kindergarten Three Plus	<i>Fund 27168</i> After School Enrichment Program	<i>Fund 27193</i> Parent Advocacy	<i>Fund 29102</i> Private Direct Grants	Total
<b>Revenues</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
State grants	48,305	-	-	-	351,836
Federal grants	-	-	-	-	2,311,437
Miscellaneous	-	-	-	7,499	204,313
Charges for services	-	-	-	-	184,126
Interest	-	-	-	-	-
<b>Total revenues</b>	<u>48,305</u>	<u>-</u>	<u>-</u>	<u>7,499</u>	<u>3,051,712</u>
<b>Expenditures</b>					
Current					
Instruction	40,245	-	-	3,455	957,531
Support services					
Students	2,827	-	-	-	1,205,610
Instruction	-	-	-	-	4,230
General administration	-	-	-	-	33,740
School administration	5,158	-	-	-	16,070
Central services	-	-	-	-	44,369
Operation & maintenance of plant	-	-	-	-	-
Student transportation	-	-	-	-	693
Other support services	-	-	-	-	-
Food services operations	-	-	-	-	115,588
Community services	-	-	-	-	20,604
Capital outlay	-	-	-	20,000	45,731
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total expenditures</b>	<u>48,230</u>	<u>-</u>	<u>-</u>	<u>23,455</u>	<u>2,444,166</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	75	-	-	(15,956)	607,546
<b>Other financing sources</b>					
Operating transfers	-	-	-	-	-
Proceeds from bond issuances	-	-	-	-	-
Bond underwriter discount	-	-	-	-	-
Bond underwriter premium	-	-	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net changes in fund balances</b>	75	-	-	(15,956)	607,546
Fund balances, beginning of year	-	-	-	20,000	1,123,272
<b>Fund balances, end of year</b>	<u>\$ 75</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,044</u>	<u>\$ 1,730,818</u>

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
NONMAJOR CAPITAL PROJECTS FUNDS – FUND DESCRIPTIONS  
JUNE 30, 2017**

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The District has the following separate funds classified as Capital Projects Funds:

**Public Schools Capital Outlay (Fund 31200).** This fund is used to account for Critical Capital Outlay funds and other special capital outlay funds received from the State of New Mexico. The funds are restricted for the purposes outlined in the applicable legislation under which the funds were approved. This generally includes construction of new schools or improvements to existing schools.

**Special Capital Outlay - Local (Fund 31300).** This fund is used to account revenues that are derived from local sources such as the sale of a building.

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

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
COMBINING BALANCE SHEET -  
NONMAJOR CAPITAL PROJECT FUNDS  
JUNE 30, 2017**

	<i>Fund 31200</i>	<i>Fund 31300</i>	<i>Fund 31700</i>	
	Public School Capital Outlay	Public School Capital Outlay Local	Capital Improvements SB-9 State Match	Total
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	-	412,800	-	412,800
Accounts receivable, collectible				-
Taxes	-	-	-	-
Due from other governments	-	-	322,143	322,143
Other receivables	-	-	-	-
Interfund receivables	-	-	-	-
Inventory	-	-	-	-
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 412,800</u>	<u>\$ 322,143</u>	<u>\$ 734,943</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 20,574	\$ 20,574
Accrued payroll liabilities	-	-	-	-
Interfund payables	-	-	301,569	301,569
Unearned revenues	-	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>322,143</u>	<u>322,143</u>
<b>Deferred Inflows of Resources</b>				
Delinquent property taxes	-	-	-	-
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>322,143</u>	<u>322,143</u>
<b>Fund Balance</b>				
Nonspendable	-	-	-	-
Restricted for:				
General fund	-	-	-	-
Special revenue	-	-	-	-
Capital projects	-	412,800	-	412,800
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>Total Fund Balance</b>	<u>-</u>	<u>412,800</u>	<u>-</u>	<u>412,800</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ -</u>	<u>\$ 412,800</u>	<u>\$ 322,143</u>	<u>\$ 734,943</u>

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NONMAJOR CAPITAL PROJECT FUNDS  
YEAR ENDED JUNE 30, 2017**

	<i>Fund 31200</i> Public School Capital Outlay State	<i>Fund 31300</i> Public School Capital Outlay Local	<i>Fund 31700</i> Capital Improvements SB-9 State Match	Total
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	755,130	-	1,292,057	2,047,187
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<b>Total revenues</b>	<u>755,130</u>	<u>-</u>	<u>1,292,057</u>	<u>2,047,187</u>
<b>Expenditures</b>				
Current				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	755,130	-	1,025,500	1,780,630
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>755,130</u>	<u>-</u>	<u>1,025,500</u>	<u>1,780,630</u>
<b>Excess of revenues over expenditures</b>	-	-	266,557	266,557
<b>Other financing sources (uses)</b>				
Operating transfers	-	-	(3,688,112)	(3,688,112)
Proceeds from bond issues	-	-	-	-
Bond underwriter discount	-	-	-	-
Bond underwriter premium	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(3,688,112)</u>	<u>(3,688,112)</u>
<b>Net changes in fund balances</b>	-	-	(3,421,555)	(3,421,555)
Fund balances, beginning of year	-	412,800	3,421,555	3,834,355
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ 412,800</u>	<u>\$ -</u>	<u>\$ 412,800</u>

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
SCHEDULE OF CASH RECONCILIATION (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

	<i>Fund 31701</i> Capital Improvements SB 9	<i>Fund 41000</i> Debt Service Fund	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash balance,* June 30, 2016	\$ 1	\$ 3,494,871	\$ 27,809,749
<b>Additions to cash</b>			
2016-17 revenue	1,560,726	7,581,429	87,214,582
Receipt of prior year loans	-	59,500	1,532,330
Transfer from other funds	3,688,112	-	3,689,784
Loans from other funds	<u>-</u>	<u>-</u>	<u>1,872,309</u>
<b>Total additions to cash</b>	<u>5,248,839</u>	<u>11,135,800</u>	<u>122,118,754</u>
<b>Deductions to cash</b>			
2016-17 expenditures	90,294	7,297,171	84,815,358
Repayment of loans	-	-	1,532,330
Transfer to other funds	-	3,858	3,691,867
Loans to other funds	<u>-</u>	<u>-</u>	<u>1,872,309</u>
<b>Total deductions to cash</b>	<u>90,294</u>	<u>7,301,029</u>	<u>91,911,864</u>
Change due to held checks	<u>-</u>	<u>-</u>	<u>814,675</u>
<b>Cash balance,* June 30, 2017</b>	<u>\$ 5,158,545</u>	<u>\$ 3,834,771</u>	31,021,565
		Fiduciary Fund Cash	<u>1,203,034</u>
		<b>Total Cash</b>	<u><b>\$ 32,224,599</b></u>

\*Cash balances include cash and restricted cash.



**COMPLIANCE SECTION**



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

Mr. Tim Keller  
New Mexico State Auditor and  
The Board of Education  
Clovis Municipal Schools  
Clovis, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of Clovis Municipal Schools (the “District”), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated November 13, 2017.

**Internal Control over Financial Reporting**

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

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

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

Mr. Tim Keller  
New Mexico State Auditor and  
The Board of Education  
Clovis Municipal Schools

described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as items 2017-002, 2017-004, and 2017-005.

### **Compliance and Other Matters**

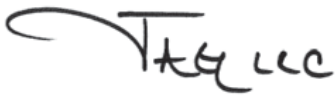
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as items 2016-002, 2017-001, and 2017-003.

### **The District's Responses to Findings**

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

### **Purpose of this Report**

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

A handwritten signature in black ink, appearing to read "JAG LLC". The signature is stylized with a large, sweeping initial letter.

Jaramillo Accounting Group LLC (JAG)  
Albuquerque, New Mexico  
November 13, 2017



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

Mr. Tim Keller  
New Mexico State Auditor and  
The Board of Education  
Clovis Municipal Schools  
Clovis, New Mexico

**Report on Compliance for the Major Federal Program**

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

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

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

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

Mr. Tim Keller  
New Mexico State Auditor and  
The Board of Education  
Clovis Municipal Schools

### **Opinion on Each Major Federal Program**

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

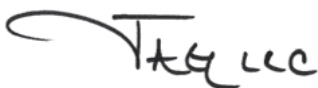
### **Report on Internal Control over Compliance**

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

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

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

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



Jaramillo Accounting Group LLC (JAG)  
Albuquerque, New Mexico  
November 13, 2017

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

Federal Grantor or Pass-Through Grantor/Program Title	Pass-through Number	Federal CFDA	Passed-through to Subrecipients	Federal Expenditures
<b>U.S. Department of Defense</b>				
ROTC	25200	12.357	\$ -	\$ 8,644
<b>U.S. Department of Education</b>				
<i>Pass-through State of New Mexico Public Education Department</i>				
Title I Grants to Local Educational Agencies	24101	84.010	-	2,032,389
Migrant Education - State Grant Program	24103	84.011	-	87,151
<i>Special Education Cluster (IDEA)</i>				
Special Education - Grants to States (IDEA B)	24106	84.027	-	2,314,449
Special Education - Grants to States (IDEA B - Competitive)	24108	84.027	-	5,164
Special Education - Preschool Grants (IDEA B - Pre School)	24109	84.173	-	73,668
Special Education - Preschool Grants (IDEA B - Early Intervention)	24112	84.173	-	156,925
<i>Special Education Cluster (IDEA) Total</i>			-	2,550,206
English Language Acquisition State Grants	24153	84.365A	-	81,301
Improving Teacher Quality State Grants (Title II)	24154	84.367	9,461	388,214
Career and Technical Education - Basic Grants to States (Carl D Perkins - Secondary Current)	24174	84.048	-	90,748
Career and Technical Education - Basic Grants to States (Carl D. Perkins - Secondary - Redistribution)	24176	84.048	-	11,569
<i>Subtotal - Pass-through State of New Mexico Public Education Department</i>			9,461	5,241,578
<i>Direct U.S. Department of Education</i>				
Impact Aid	11000	84.041	-	107,705
Impact Aid - Special Education	25145	84.041	-	29,891
<i>Subtotal - Direct U.S. Department of Education</i>			-	137,596
<b>Total U.S. Department of Education</b>			9,461	5,379,174
<b>U.S. Department of Agriculture</b>				
<i>Child Nutrition Cluster</i>				
<i>Pass-through State of New Mexico Public Education Department</i>				
<i>Cash Assistance</i>				
School Breakfast	21000	10.553		1,395,362
National School Lunch Program	21000	10.555	-	2,494,714
<i>Pass-through State of New Mexico Human Services Department</i>				
Non-Cash Assistance (Commodities) National School Lunch Program	21000	10.555	-	345,512
<i>Total Child Nutrition Cluster</i>			-	4,235,588
<b>Total U.S. Department of Agriculture</b>			-	4,235,588
<b>Total Federal Financial Assistance</b>			\$ 9,461	\$ 9,623,406

See Notes to Schedule of Expenditures of Federal Awards.

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2017**

**NOTE 1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Clovis Municipal Schools (District) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in financial position of the District.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3. SUBRECIPIENT**

The District provided the following federal award to a subrecipient during the year:

CFDA 84.367, Improving Teacher Quality State Grants (Title II)  
Clovis Christian School in the amount of \$9,461

**NOTE 4. NONCASH FEDERAL ASSISTANCE**

The District receives USDA Commodities for use in sponsoring the National School Lunch and Breakfast program. Per USDA guidance (FPI-18-2), donated USDA commodities should be grouped with the National School Lunch Program and use the same CFDA number as the National School Lunch Program. The value of commodities received for the year ended June 30, 2017 was \$345,512. Commodities are recorded as revenues and expenditures in the Food Service fund.

**NOTE 5. INDIRECT COST RATE**

During the year ended June 30, 2017, the New Mexico Public Education Department reimbursed the District for indirect costs at 2.69%.

**NOTE 6. RECONCILIATION OF FEDERAL REVENUE TO FEDERAL EXPENDITURES**

Federal expenditures as reported on Schedule of Expenditure of Federal Awards	\$ 9,623,406
District as contractor relationship:	
Medicaid (Fund 25153)	1,297,489
Migrant Regional Recruiting (Fund 24187)	67,357
Indirect cost recovery (Fund 11000)	126,593
Advance reimbursement grant (Impact Aid - Fund 25145)	13,316
Federal revenue as reported in the financial statements	<u>\$ 11,128,161</u>

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017**

**2016-001**

Actual Expenditures Exceeded Budgeted Expenditures  
Non-Compliance

Resolved

**2016-002**

Compliance with School Personnel Act  
Non-Compliance

Modified and Repeated



**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Section I – Summary of Audit Results**

*Financial Statements:*

- |                                                                                  |            |
|----------------------------------------------------------------------------------|------------|
| 1. Type of auditor’s report issued                                               | Unmodified |
| 2. Internal control over financial reporting:                                    |            |
| a. Material weakness identified?                                                 | No         |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes        |
| c. Noncompliance material to financial statements noted?                         | No         |

*Federal Awards:*

- |                                                                                                               |            |
|---------------------------------------------------------------------------------------------------------------|------------|
| 1. Internal control over major programs:                                                                      |            |
| a. Material weakness identified?                                                                              | No         |
| b. Significant deficiencies identified not considered to be material weaknesses?                              | No         |
| 2. Type of auditor’s report issued on compliance for major programs                                           | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | No         |
| 4. Identification of major programs:                                                                          |            |

CFDA		
<u>Number</u>	<u>Federal Program</u>	
84.010	Title I Grants to Local Educational Agencies	

- |                                                                             |           |
|-----------------------------------------------------------------------------|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee?                                   | Yes       |

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

**Section II – Financial Statement Findings**

**2016-002 COMPLIANCE WITH SCHOOL PERSONNEL ACT**

**TYPE OF FINDING:** Non-Compliance

**CONDITION**

Our testing found that two employee contracts (from a random sample of five) were not executed within the required time frame, 10 days before the first day the employee returns for the school year. There was also a new hire with an effective contract date of August 9, 2016; however, he was offered the job and signed the contract on August 10, 2016.

Management made progress on this finding, but due to the timing of the prior year auditing finding, this repeated since contracts were signed in August.

**CRITERIA**

22-10A-23(B) NMSA 1978 states that delivery of the written acceptance of reemployment by a certified school instructor creates a binding employment contract between the certified school instructor and the local school board or the governing authority of the state agency until the parties enter into a formal written employment contract. Written employment contracts between local school boards or governing authorities of state agencies and certified school instructors shall be executed by the parties not later than ten days before the first day of a school year.

**EFFECT**

Without contracts signed timely, the District may be at risk of students' classrooms and services not staffed as planned.

**CAUSE**

It is difficult to contact employees for their signatures during the summer. One employee in the sample was a new hire.

**RECOMMENDATION**

We recommend that the District implement new procedures and monitor their effectiveness to ensure that the District remain in compliance with all elements of the School Personnel Act. Implementing an electronic system may be helpful to this process.

**MANAGEMENT RESPONSE**

**Corrective Action:** In order to be in compliance with the School Personnel Act 22-10A-23(B) NMSA 1978, future Certified Instructor Contracts will be issued earlier in the fiscal year and certified staff will be required to sign their contract not later than ten (10) days before the first day of the school year. Additionally, a new process was established for the 17-18 school year where contracts were electronically generated and signed, giving employees the flexibility to review and sign contracts during the summer break.

**Due Date of Completion:** July 2017

**Responsible Party:** Assistant Superintendent of Human Resources

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

**Section II – Financial Statement Findings (Continued)**

**2017-001      CAPITAL ASSET DISPOSALS**

**TYPE OF FINDING:** Non-Compliance

**CONDITION**

During our testing of the District's compliance with the New Mexico Sale of Public Property Act, we noted one exception:

- The District was unable to provide supporting documentation for one item group (from a high dollar sample of five). The item group not in compliance included 35 tables and stools with an original cost of \$61,220. The Office of the State Auditor was not notified 30 days prior to disposal and the disposal was not approved by the board. Upon further inquiry, it was found that these items were incorrectly removed from the fixed asset listing because they were thought to be lost; however, the items are still in the District's possession, so they were added back onto the capital asset listing.

**CRITERIA**

13-6-1(B) NMSA 1978 states that the governing authority shall, as a prerequisite to the disposition of any items of tangible personal property, designate a committee of at least three officials of the governing authority to approve and oversee the disposition. The authority shall give notification at least thirty days prior to its action making the deletion by sending a copy of its official finding and the proposed disposition of the property to the state auditor and the appropriate approval authority designated in Section 13-6-2 NMSA 1978, duly sworn and subscribed under oath by each member of the authority approving the action. A copy of the official finding and proposed disposition of the property sought to be disposed of shall be made a permanent part of the official minutes of the governing authority and maintained as a public record subject to the Inspection of Public Records Act [14-2-4 NMSA 1978].

**EFFECT**

Without proper controls over compliance with disposals, items could be improperly disposed of or unaccounted for.

**CAUSE**

The District did not properly account for capital assets disposals and their locations.

**RECOMMENDATION**

We recommend training of all employees who are handling capital assets and reviewing the implementation of controls over capital asset compliance.

**MANAGEMENT RESPONSE**

**Corrective Action:** Management reviewed 13-6-1(B) NMSA 1978 with the Fixed Asset Clerk regarding the rules for the Disposition of Obsolete, Worn-Out and Unusable Personal Property. The 35 tables and stools were initially recorded in the Skyward Financial Management System under one tag. This tag was inactivated with the intent to tag each item separately, which did not occur. The original tag 72819 will be reported to the board to

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

**Section II – Financial Statement Findings (Continued)**

**2017-001      CAPITAL ASSET DISPOSALS (CONTINUED)**

ask permission to remove the tag from the District inventory. The items will be individually tagged and added back into Fixed Assets Supply Assets because the individual cost for each item was less than \$5,000 each.

**Due Date of Completion:** January 2018

**Responsible Party:** Assistant Superintendent of Finance

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

**Section II – Financial Statement Findings (Continued)**

**2017-002 IT ACCESS - SEGREGATION OF DUTIES**

**TYPE OF FINDING:** Significant Deficiency

**CONDITION**

In the electronic accounting system, Skyward, both the CFO and the Supervisor of Accounting had more access than was necessary. This access included the ability to add, edit, and delete (super users of Finance and Human Resources) until March of 2017. Although the CFO monitored segregation of duties access the majority of the year, in March 2017, her ability to view access by employee was removed with her super user access was removed. Access levels were subsequently monitored by IT Personnel.

**CRITERIA**

Effective system access controls help prevent and detect unauthorized use, damage, loss, or modification of programs and data, including sensitive and confidential information. No one employee should have the ability to record, review, and approve transactions within the system. Effective change controls should ensure that program changes and changes to data are valid, meet user needs, are reviewed and approved independently, and are implemented accurately.

**EFFECT**

There is an increased risk of unauthorized or inaccurate changes in Skyward.

**CAUSE**

After the March 2017 transfer of user access change privilege to IT, there was a lack of communication between the IT and Finance departments regarding the proper design and implementation of user access roles.

**RECOMMENDATION**

Finance and HR management should work with IT personnel to regularly review user access control, so that users have only those roles that are necessary, and do not have any incompatible roles.

**MANAGEMENT RESPONSE**

**Corrective Action:** System Wide access is allocated only to authorized personnel in the Technology Department. Technology now runs a quarterly report of Financial group permissions which is reviewed by the Assistant Superintendent of Finance to ensure that separation of duties is still present. Both Finance and Technology continue to work together when assigning Financial security during the year.

**Due Date of Completion:** June 2018

**Responsible Party:** Executive Director of Technology

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

**Section II – Financial Statement Findings (Continued)**

**2017-003      ANTI-DONATION CLAUSE OF THE NEW MEXICO CONSTITUTION**

**TYPE OF FINDING:** Non-Compliance

**CONDITION:** The District disbursed operational funds for student scholarships totaling \$1,200 during the year ended June 30, 2017.

**CRITERIA**

New Mexico Constitution Article IX, Section 14 states, “neither the state, nor any county, school district, or municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit, or make any donation to or in aid of any person, association or public or private corporation. A donation within the meaning of this provision is a “gift”, an allocation or appropriation of something of value, without consideration.” This section is commonly referred to as the “Anti-Donation Clause”.

**EFFECT**

Non-compliance with the State Constitution subjects District officials to penalties as required by state statutes.

**CAUSE**

District leadership wanted to provide scholarships for students; however, leadership did not realize the impact of using excess operational funds.

**RECOMMENDATION**

We recommend the District review the Anti-Donation Clause to ensure the District is not benefiting a particular individual or organization without an exchange transaction (i.e. receiving something in return). After such review, all necessary changes or adjustments should be approved, instituted, and included in the District’s policies.

**MANAGEMENT RESPONSE**

**Corrective Action:** Management has reviewed the New Mexico Constitution Article IX, Section 14 with the Superintendent and Board. The Board Scholarship will no longer be funded with School District Funds.

**Due Date of Completion:** October 2017

**Responsible Party:** Assistant Superintendent of Finance

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

**Section II – Financial Statement Findings (Continued)**

**2017-004      ACTIVITY FUNDS**

**TYPE OF FINDING:** Significant Deficiency

**CONDITION**

During our testing of the District’s activity funds and walkthrough of three campus’s controls, we noted the following:

- At one school, the bookkeeper keeps the detailed activity fund records in two separate account packages (Skyward and Quicken). While this may enhance the reconciliation process, it may not be the best use of the bookkeeper’s time.
- At the same campus, this bookkeeper represented she was told to shred cash receipt ticket detailed documentation at year-end (summer break) resulting in non-compliance with record retention policies.
- One receipt (#15609582) for \$247 did not have a register tape for the deposit for Snack Shack.
- At the High School there is a safe; however, access is not restricted enough. During our walkthrough, several people had free access to the open vault which had an available key to the safe inside.
- At certain sporting events, tickets are not controlled and tracked. Some sporting events utilized donated ticket rolls and the ranges of ticket numbers sold are not reconciled to the cash receipts sheet for the event.
- There are certain instances where the High School receipts are not counted until the next day; leaving time for theft to occur and increasing the potential for missing gate receipts.
- Controls over season, reserve, and comp tickets to games are not tracked consistently.

**CRITERIA**

NM Public Education Department (PED) Manual of Procedures – PSAB Supplement 18 – Student Activity & Athletics As governments increasingly respond to the demands for fiscal and operational accountability, best practice dictates the creation of strong controls surrounding activity funds, including assurance that all transactions are recorded and reported in district and charter school financial records. Additionally, at a minimum, proper lines of authority combined with strong control practices, such as segregation of duties, multiple checks and balances, requirements for annual audits, and regular financial reporting, are the elements to protect against error, waste, fraud or misuse.

**EFFECT**

Without proper controls over activity funds, there is an increased chance fraud or errors could occur. This can be devastating to the staff, students, parents, and community members who have supported the District financially.

**CAUSE**

Risk assessments have not been performed at each school and, although Central Office does train employees, there may not be implementation of the strong controls over activity funds necessary.

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

**Section II – Financial Statement Findings (Continued)**

**2017-004      ACTIVITY FUNDS (CONTINUED)**

**RECOMMENDATION**

We recommend assessing risk over each cash receipts revenue stream at each school, frequently monitoring controls that are then implemented over activity funds, and holding employees accountable for non-compliance with policies and procedures.

**MANAGEMENT RESPONSE**

**Corrective Action:** The District Finance team continues to perform audits of deposits and petty cash, as has been past practice. To help identify employees who are unfamiliar with all District procedures, the secretary training was revamped in July 2017. Each site and department secretary was asked what their processes are for deposits and procurement. The secretary response will help the Finance Department determine weaknesses that can be addressed immediately and followed up on at the monthly secretary meetings.

To help alleviate the problems of record retention, Finance will scan all financial records into the Skyward Financial Management Software. This will eliminate the need for the school sites to retain records.

All Secondary Schools have been equipped with combination style fire-proof safes to keep money, tickets, and any other valuables. The Assistant Superintendent of Finance is the only person who has access to change the combination. Each school has a unique combination in which the Principal, Assistant Principal and Finance Secretary have access to. At the High School Level, the Athletic Director and Athletic Secretary will also have access to the combination.

The Deposit Balancing Report has been revamped to include a place to sign out Petty Cash and tickets. A ticket reconciliation has been added to the report to help identify any discrepancies in tickets sold and money deposited. This report is completed before any monies are put into the safe. An initial inventory of tickets was taken and a quarterly audit of tickets will be included in the Financial Audits that will be reported to the Board. Work is still being done to tighten controls over season, reserve, and comp tickets.

Random audits have been increased with findings reported to the Principals. Principals are now required to respond with corrective action. The internal audit report with responses is reported to the Board.

**Due Date of Completion:** February 2018

**Responsible Party:** Assistant Superintendent of Finance



**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

**Section II – Financial Statement Findings (Continued)**

**2017-005      INVENTORY PRICING**

**TYPE OF FINDING:** Significant Deficiency

**CONDITION**

During our testing of the District's supplies inventory, we noted one exception out of the twelve items we tested. The item was listed on the supplies inventory stock valuation report at a unit cost equal to the original cost per box, however the number of units was listed by individual package. As a result, this item's extended valuation of \$10,516 was overstated by approximately \$9,868.

**CRITERIA**

- NMAC 6.20.2.11 states that every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.
  
- NMAC 6.20.2.16 states that at fiscal year-end, each school district shall take a physical inventory of remaining goods and materials of an expendable nature. School districts shall establish adequate internal accounting control procedures over supplies inventory in accordance with GAAP.

**CAUSE**

The inventory pricing was not reviewed for accuracy.

**EFFECT**

The value of the District's inventory was overstated during the year and at year-end.

**RECOMMENDATION**

We recommend that policies and procedures related to the supplies inventory be implemented to ensure that all inventory related transactions be properly accounted for in accordance with GAAP, including accurate pricing and extended valuation.

**MANAGEMENT RESPONSE**

**Corrective Action:** The Warehouse Manager will begin performing random audits of warehouse items to ensure pricing matches what was invoiced. The unit of measure will be verified to ensure items that are received as a case are inventoried and sold as a case. They will also spot check inventory for accuracy.

**Current Status/Plan of Action:** The Warehouse Manager is currently reviewing the Inventory Value Report to look for items that appear to be over or under value. Plans are in place to perform random audits of Skyward entries and to spot check inventory for accuracy.

**Responsible Party:** Warehouse Manager

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

**Section III – Federal Findings**

None

**STATE OF NEW MEXICO  
CLOVIS MUNICIPAL SCHOOLS  
EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2017**

The contents of this report were discussed on November 9, 2017. The following individuals were in attendance:

**Clovis Municipal Schools**

Denise Wolf - Audit Committee Member  
Jody Balch - Superintendent  
Joe Strickland - Deputy Superintendent of Instruction  
Kerry Parker - Assistant Superintendent of Human Resources  
Shawna Russell - Assistant Superintendent of Finance  
Renee Mestas - Deputy Director of Federal Programs  
Carlyn Hancock - Executive Director of Special Education  
Bryan Jones - Chief Procurement Officer  
Heather Nieto - Executive Assistant to Finance  
Geri Schumpert - Finance  
Gena Wilkerson - Finance  
Monica Jackson - Finance  
Barbara Hardin – Coordinator of Accounting Services  
Carlos Molina – Comptroller  
Cindy Osburn – Board Member  
Dora Rivero – Federal Programs Bookkeeper  
Eric Wimbish – Executive Director of Technology  
Jarod Pearson – Special Education Bookkeeper  
Seth Hamilton – Board Member  
Sherry Dominquez – Fixed Asset/Accounting Clerk

**Jaramillo Accounting Group LLC (JAG)**

Audrey Jaramillo, CPA, CFE, Partner

*Jaramillo Accounting Group LLC (JAG) assisted in the preparation of the financial statements presented in this report. The District's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.*

APPENDIX C

FORM OF BOND COUNSEL OPINION

John R. Cooney  
James M. Parker  
Arthur D. Melendres  
James P. Houghton  
Paul M. Fish  
R. E. Thompson  
Lynn H. Slade  
Douglas R. Vadnais  
Walter E. Stern III  
Martha G. Brown  
Tim L. Fields  
Earl E. DeBrine, Jr.  
Timothy C. Holm  
Roberta Cooper Ramo  
Stuart R. Butzler  
Donald A. DeCandia  
Margaret L. Meister  
Peter L. Franklin  
Jennifer A. Noya  
Zachary L. McCormick  
Marjorie A. Rogers  
Karen L. Kahn  
Christopher P. Muirhead  
Maria O'Brien  
Stan N. Harris  
Marco E. Gonzales  
Michelle A. Hernandez  
Jennifer G. Anderson  
Joan E. Drake  
Alex C. Walker  
Susan M. Bisong  
Brian K. Nichols  
Megan T. Muirhead  
Deana M. Bennett  
Tiffany L. Roach Martin  
Daniel M. Alsup  
Katherine M. Creagan  
Spencer L. Edelman  
Nathan T. Nieman  
Christina C. Sheehan  
Anna E. Indahl  
Jeremy K. Harrison  
Sarah M. Stevenson  
Vanessa C. Kaczmarek  
Nadine E. Shea  
Andrew B. Indahl  
Elizabeth A. Martinez  
Jennifer L. Bradfute  
Sonya R. Burke  
Mia Kern Lardy  
Emily P. Chase-Sosnoff  
Tomas J. Garcia  
Zoë E. Lees  
Robin E. James  
Luke W. Holmen  
Ian W. Bearden  
Kimberly N. Knox  
Jennifer A. Kittleson  
Dominic A. Martinez



MODRALL SPERLING

L A W Y E R S

October 3, 2018

Modrall Sperling  
Roehl Harris & Sisk P.A.

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Board of Education  
Clovis Municipal School District No. 1  
Clovis, New Mexico

Ladies and Gentlemen:

We have acted as bond counsel to Clovis Municipal School District No. 1 (the "District") in connection with the issuance of its \$7,000,000 General Obligation School Building Bonds, Series 2018 (the "Bonds"), dated October 3, 2018, with interest payable on February 1, 2019, and semi-annually thereafter on each August 1 and February 1 until maturity, and being Bonds in registered form maturing on August 1 in the years 2019 through 2034.

We have examined the laws of the State and the United States of America relevant to the opinions herein, the transcript of proceedings (the "Transcript") and other documents relevant to the issuance of the Bonds by the District. As to the questions of fact material to our opinion, we have relied upon representations of the District contained in the proceedings and other certifications furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, and subject to the assumptions and qualifications set forth below, we are of the opinion that, under existing law on the date of this opinion:

1. The Bonds constitute valid and binding general obligations of the District and are to be paid from the proceeds of the levy of ad valorem taxes on all taxable property within the District without limitation as to rate or amount.

2. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes. We are also of the opinion that interest on the Bonds is not a specific preference item for purposes of calculating the alternative minimum tax imposed under provisions contained in the Internal Revenue Code of 1986, as amended (the "Code"). Although we are of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend

upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

3. The Bonds and the income from the Bonds are exempt from all taxation by the State or any political subdivision thereof.

The opinions set forth above in Paragraph 2 above are subject to continuing compliance by the District with covenants regarding federal tax law contained in the proceedings and other documents relevant to the issuance of the Bonds by the District. Failure to comply with these covenants may result in interest on the Bonds being included in gross income retroactive to their date of issuance.

The opinions expressed herein are based upon existing law as of the date of issuance and delivery of the Bonds. We express no opinion as of any date subsequent hereto, and our engagement with respect to the Bonds has concluded with their issuance. We disclaim any obligation to update this opinion.

The obligations of the District related to the Bonds are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of the powers (including bankruptcy powers) delegated to it by the United States Constitution. The obligations of the District and the security provided therefor may be subject to general principles of equity which permit the exercise of judicial discretion and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities as of the date of issuance and delivery of the Bonds that we deem relevant to render such opinions and are not a guarantee of result. We express no opinion with respect to any pending legislation.

As bond counsel, we are passing upon only those matters set forth in this opinion and are not passing upon the accuracy or completeness of any statement made in connection with any sale of the Bonds or upon any tax consequences arising from the receipt or accrual of interest on, or the ownership of, the Bonds except those specifically addressed in Paragraphs 2 and 3 above.

Respectfully submitted,

## APPENDIX D

### CONTINUING DISCLOSURE UNDERTAKING

## CONTINUING DISCLOSURE UNDERTAKING

Section 1. Recitals. This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by the Clovis Municipal School District No. 1, Curry County, New Mexico (the "District"), in connection with the issuance of the Clovis Municipal School District No. 1, Curry County, New Mexico, General Obligation School Building Bonds, Series 2018 (the "Bonds"). The Bonds are being issued pursuant to a Notice of Sale Resolution and Delegation of Authority adopted on August 28, 2018 and a Bond Award signed on September 18, 2018 (collectively, the "Resolution"). Pursuant to the Resolution, to allow the underwriters of the Bonds to comply with the Rule (defined below), the District is required to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Bonds (the "Owners"). This Undertaking is intended to satisfy the requirements of the Rule.

### Section 2. Definitions.

(a) "Annual Financial Information" means the financial information (which will be based on financial statements prepared in accordance with generally accepted accounting principles, as in effect from time to time ("GAAP"), for governmental units as prescribed by the Governmental Accounting Standards Board ("GASB")) and operating data with respect to the District, delivered at least annually pursuant to Sections 3(a) and 3(b) of this Undertaking, consisting of information of the type set forth under the captions "DEBT AND OTHER FINANCIAL OBLIGATIONS," "TAX BASE," "THE DISTRICT – Student Enrollment," "FINANCES OF THE EDUCATIONAL PROGRAM-State Equalization Guarantee," "Statement of Net Position," "Statement of Activities," "Balance Sheet-General Fund" and "Statement of Revenues & Expenditures & Changes in Fund Balances." in the Official Statement. Annual Financial Information will include Audited Financial Statements if available.

(b) "Audited Financial Statements" means the District's annual financial statements prepared in accordance with generally accepted accounting principles, as in effect from time to time ("GAAP"), for governmental units as prescribed by the Governmental Accounting Standards Board ("GASB"), which financial statements have been audited as may then be required or permitted by the laws of the State.

(c) "EMMA" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System located on its website at [emma.msrb.org](http://emma.msrb.org).

(d) "Event Information" means the information delivered pursuant to Section 3(d).

(e) "MSRB" means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314, phone (703) 797-6600, fax (703) 797-6708.



(f) "Official Statement" means the Official Statement dated September 18, 2018, delivered in connection with the original issue and sale of the Bonds.

(g) "Report Date" means March 31 of each year, beginning in 2019.

(h) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (17 C.F.R. Part 240, § 240.15c2-12), as the same may be amended from time to time.

(i) "SEC" means the Securities and Exchange Commission.

(j) "State" means the State of New Mexico.

Section 3. Provision of Annual Financial Information and Reporting of Event Information.

(a) The District, or its designated agent, will provide the Annual Financial Information for the preceding fiscal year to the Repository on or before each Report Date while the Bonds are outstanding.

(b) If Audited Financial Statements are not provided as a part of the Annual Financial Information, the District, or its designated agent, will provide unaudited financial statements as part of the Annual Financial Information. The District will timely provide to EMMA notice of failure to provide Annual Financial Information or Audited Financial Statements in the event these items are not available by the Report Date.

(c) The District, or its designated agent, may provide Annual Financial Information by specific reference to other documents, including information reports and official statements relating to other debt issues of the District, which have been submitted to the Repository or filed with the SEC; provided, however, that if the document so referenced is a "final official statement" within the meaning of the Rule, such final official statement must also be available from the MSRB.

(d) The District, or its designated agent, will provide, to EMMA, notice of any of the following events with respect to the Bonds in a timely manner not in excess of ten (10) business days after the occurrence of the event:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(vii) modifications to rights of security holders, if material;

(viii) bond calls, if material, or tender offers;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the securities, if material within the meaning of the federal securities law;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or a similar event with respect to the District or an obligated person;

(xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee, or a change of name of a trustee, if material.

(e) The District, or its designated agent, will provide, in a timely manner not in excess of ten (10) business days after the occurrence of the event, to EMMA, notice of any: (i) failure of the District to timely provide the Annual Financial Information as specified in Sections 3(a) and 3(b); (ii) changes in its fiscal year-end; and (iii) amendment of this Undertaking.

Section 4. Method of Transmission. The District, or its designated agent, will employ such methods of electronic or physical information transmission as are requested or recommended from time to time by the Repository, the MSRB or the SEC.

Section 5. Enforcement. The obligations of the District under this Undertaking are for the benefit of the Owners. Each Owner is authorized to take action to seek specific performance by court order to compel the District to comply with its obligations under this Undertaking, which action will be the exclusive remedy available to it or any other Owner. The District's breach of its obligations under this Undertaking will not constitute an event of default under the Resolution, and none of the rights and remedies provided by such Resolution will be available to the Owners with respect to such a breach.

Section 6. Term. The District's obligations under this Undertaking will be in effect from and after the issuance and delivery of the Bonds and will extend to the earliest of (i) the date all principal and interest on the Bonds has been paid or legally defeased pursuant to the terms of the Resolution; (ii) the date on which the District is no longer an "obligated person" with respect to the Bonds within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this Undertaking are determined to be invalid or unenforceable by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

Section 7. Amendments. The District may amend this Undertaking from time to time, without the consent of any Owner, upon the District's receipt of an opinion of independent counsel experienced in federal securities laws to the effect that such amendment:

(a) is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or a change in the identity, nature or status of the District;

(b) this Undertaking, as amended, would have complied with the Rule at the time of the initial issue and sale of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances; and

(c) the amendment does not materially impair the interests of the Owners.

Any Annual Financial Information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information and Audited Financial Statements for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 8. Beneficiaries. This Undertaking binds and inures to the sole benefit of the District and the Owners and creates no rights in any other person or entity.

Section 9. Subject to Appropriation. This Undertaking shall be subject to annual appropriation by the District's Board of Education and shall not be construed as a general obligation of the District.

Section 10. Governing Law. This Undertaking is governed by and is to be construed in accordance with the law of the State.

[Signature Page Follows]

Date: October 3, 2018

BOARD OF EDUCATION OF CLOVIS  
MUNICIPAL SCHOOL DISTRICT NO. 1

By: \_\_\_\_\_  
President

[SEAL]

ATTEST:

\_\_\_\_\_  
Secretary

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