

**OFFICIAL STATEMENT DATED APRIL 18, 2018**

**\$4,740,000  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT NO. 1  
Otero County, New Mexico  
General Obligation School Bonds, Series 2018**

**NEW ISSUE** **Bank Qualified**  
**Book-Entry Only** **Moody's Rating: A1 Underlying/Aa2 Enhanced**

**PURPOSES** Proceeds of the above described bonds (the "Bonds" or "Series 2018 Bonds") will be used for the purpose of 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 schools, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act, NMSA 1978, Sections 22-24-1 et seq., or any combination of these purposes and paying the costs of issuance of the Bonds.

**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 form only, 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 (as defined herein). Beneficial owners of the Bonds will not be entitled to receive physical delivery of bond certificates 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 the registered owner will mean Cede & Co., and payments of principal of and interest on the Bonds will be made directly to DTC by the Paying Agent. Disbursement of such payments to DTC Participants is the responsibility of DTC. See "The Bonds - Book-Entry-Only System". BOKF, N.A., Albuquerque, New Mexico (or successor) is the Registrar and Paying Agent for the Bonds.

**OPTIONAL REDEMPTION** The Series 2018 Bonds are subject to redemption prior to maturity as provided herein. See "Introduction - Optional Prior to Redemption".

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

**BOND AND TAX OPINION** The delivery of the Bonds is subject to the opinions of Cuddy & McCarthy, LLP and McCall, Parkhurst & Horton L.L.P., Co-Bond Counsel, as to the validity of the Bonds and the opinion of McCall, Parkhurst & Horton L.L.P., to the effect that interest on the Bonds is excludable from gross income for purposes of federal income taxation, under existing statutes, regulations, published rulings and court decisions, as described under "Tax Matters" herein. See "Legal Matters" and "Tax Matters" herein for a discussion of Co-Bond Counsels' opinions. Delivery of the Bonds is also subject to the delivery of an approving opinion of the Attorney General of the State of New Mexico. The District will designate the Bonds as "qualified tax-exempt obligations" for financial institutions.

**DELIVERY** When, as and if issued, through DTC's facilities, on or about May 23, 2018.

**DATED DATE** Date of initial delivery of the Bonds.

**DUE DATE** August 1, as shown below:

GENERAL OBLIGATION SCHOOL BONDS, SERIES 2018									
Year					Year				
Maturing	Principal	Interest	Yield	Cusip #	Maturing	Principal	Interest	Yield	Cusip #
(Aug. 1)		Rate		011464	(Aug. 1)		Rate		011464
2019	\$75,000	4.000%	1.870%	KW3	2026	\$555,000	4.000%	2.500%	LD4
2020	115,000	4.000%	1.900%	KX1	2027	555,000	4.000%	2.550%	LE2
2021	300,000	4.000%	2.000%	KY9	2028	555,000	5.000%	2.620%	LF9
2022	300,000	4.000%	2.150%	KZ6	2029	555,000	3.000%	2.700%	LG7
2023	175,000	4.000%	2.350%	LA0	2030	560,000	3.000%	2.800%	LH5
2024	175,000	4.000%	2.400%	LB8	2031	560,000	3.000%	2.900%	LJ1
2025	260,000	4.000%	2.450%	LC6					

**ISSUER**

ALAMOGORDO MUNICIPAL SCHOOL DISTRICT NO. 1  
Otero County, New Mexico  
PO Box 650  
Alamogordo, New Mexico 88311  
(575) 812-6000  
FAX: (575) 812-5503

**BOARD OF EDUCATION**

*President:* David W. Weaver  
*Vice-President:* Angela M. Cadwallader  
*Secretary:* Timothy C. Wolfe  
*Member:* David Borunda  
*Member:* Carol Teweleit

**FINANCIAL ADVISOR**

RBC Capital Markets, LLC  
6301 Uptown Blvd. NE, Suite 110  
Albuquerque, New Mexico 87110  
(505) 872-5999

**PAYING AGENT/REGISTRAR**

BOKF, N.A.  
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Albuquerque, NM 87109  
(505) 222-8447

**DISTRICT ADMINISTRATION**

*Superintendent:* Adrienne Salas  
*Director of Business and Finance:* Carol Genest  
*Director of Support Services:* Vance Lee

**CO-BOND COUNSEL**

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1701 Old Pecos Trail  
Santa Fe, New Mexico 87505  
(505) 954-7349

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Austin, Texas 78701  
(512) 478-3805

**PURCHASER**

Raymond James  
50 North Front St, 12th Floor,  
Memphis, TN 38103  
(901) 579-3567

## 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 initial purchaser 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 initial purchaser 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 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. 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.

Co-Bond Counsel, Cuddy & McCarthy, LLP, Santa Fe, New Mexico, and McCall, Parkhurst & Horton L.L.P., Austin, Texas, were not requested to and did not take part in the preparation of the Official Statement nor have these firms undertaken to independently verify any of the information contained herein. Such firms have 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 Co-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**  
Alamogordo Municipal School District No. 1  
PO Box 650  
Alamogordo, New Mexico 88311  
Attn: Carol Genest

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

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**\$4,740,000**

**ALAMOGORDO MUNICIPAL SCHOOL DISTRICT NO. 1**

**Otero County, New Mexico**

**General Obligation School Bonds, Series 2018**

**INTRODUCTION**

Thank you for your interest in learning more about the \$4,740,000 Alamogordo Municipal School District No. 1, Otero County, New Mexico (the "District" or "Issuer"), General Obligation School Bonds, Series 2018 (the "Bonds"). This Official Statement will tell you about the Bonds, their security, the District and the risks involved in an investment in the Bonds.

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

**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 3,772 square miles. The District's 2017 assessed valuation is \$815,369,108 and its 2017-18 enrollment is 5,957. See "THE DISTRICT."

**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 of or assume responsibility for the accuracy, completeness, or fairness of the information contained in the 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.

**Limited Role Of Auditor**

The District's auditor has not been engaged to perform and has not performed any procedures relating to this Official Statement.

Except for a portion of 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 BONDS

## Authority

New Mexico law, including NMSA 1978, Sections 6-15-1 through 6-15-22, law enables the District to issue the Bonds. 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 multiples of \$5,000. Bond payments will be made by the Paying Agent/Registrar 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**" in Appendix C.

## Plan of Finance

The Bonds are being offered for the purpose of providing approximately \$4,740,000 for erecting, remodeling, making additions to and furnishing school buildings, purchasing and improving school grounds, purchasing computer software and hardware for student use in public school classrooms, providing matching funds for capital projects funded pursuant to the Public School Capital Outlay Act, NMSA 1978, Sections 22-24-1, et seq. or any combination of these purposes within the District and paying the costs of issuance of the Bonds.

## 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 CREDIT 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 the Registrar (the "Registrar") and Paying Agent (the "Paying Agent") for the Bonds. In 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.

## Payment of Principal and Interest; Record Date

The principal of the Bonds is payable to the registered owners of the Bonds at the principal office of the Paying Agent. Interest on the Bonds is payable by check or draft of the Paying Agent mailed on or before each interest payment date to the registered owners of the Bonds as of the close of business on the fifteenth day of the month

preceding the interest payment date (the "Regular Record Date") at the addresses appearing in the registration books maintained by the Registrar. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

### Optional Prior Redemption

Bonds maturing on or after August 1, 2028 may be redeemed prior to their scheduled maturities on August 1, 2027 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, and the District shall designate the amount that is to be redeemed, and if less than a whole maturity is to be redeemed, the District shall direct the Paying Agent/Registrar to call by lot Bonds, or portions thereof within such maturity, for redemption (provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000), at the redemption price of par plus accrued interest to the date fixed for prepayment or redemption.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption have been met and moneys sufficient to pay the principal of and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice shall state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient moneys are not received, such notice shall be of no force and effect, the District shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

### Redemption Notices

The Registrar must, by first class mail, give redemption notices to the registered owners of the affected bonds and to various securities depositories and information services not less than 30 days prior to the redemption date. ***Please note that failure to give notice or any defect in such notice will not effect the validity of the redemption for Bonds which notice was properly given.*** No transfer of Bonds called for redemption shall be made within 45 days of the date of redemption.

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 to the beneficial owners of the Bonds will not affect the validity of the Bond redemption or any other action based on the Paying Agent/Registrar's notice. Investors in the Bonds 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.

### Transfers and Exchanges

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar and such transfer or exchange will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument

of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond being transferred or exchanged, at the principal office of the Paying Agent/Registrar, or sent by United States mail, first-class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" in Appendix C.

### **Limitation on Transfer of Bonds**

Neither the District nor the Paying Agent/Registrar are required to transfer or exchange any Bond (i) during the period commencing at the close of business on the Record Date and ending at the opening of business on the next interest payment date and (ii) called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer will not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

### **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 (as defined in Appendix C), of any notice and its content or effect will not 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. See "Book-Entry-Only System" in Appendix C.

### **Defeasance**

*General.* The Bond Resolution provides for the defeasance of the Bonds and the termination of the pledge of taxes and all other general defeasance covenants in the Bond Resolution under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of the Bond Resolution when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (1) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (2) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or an eligible entity for such payment (a) lawful money of the United States of America sufficient to make such payment, (b) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the District with the Paying Agent/Registrar or an eligible entity for the payment of its services until after all Defeased Bonds shall have become due and payable or (c) any combination of (a) and (b). At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes or revenues levied and pledged as provided in the Bond Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities.



The deposit under clause (2) above shall be deemed a payment of a Bond when proper notice of redemption of such Bonds shall have been given, in accordance with the Bond Resolution. Any money so deposited with the Paying Agent/Registrar or an eligible entity may at the discretion of the District also be invested in Defeasance Securities, maturing in the amounts and at the times as set forth in the Bond Resolution, and all income from such Defeasance Securities received by the Paying Agent/Registrar or an eligible trust company or commercial bank that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the District.

Investments. Any escrow agreement or other instrument entered into between the District and the Paying Agent/Registrar or an eligible entity pursuant to which money and/or Defeasance Securities are held by the Paying Agent/Registrar or an eligible trust company or commercial bank for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent/Registrar or an eligible trust company or commercial bank which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, will be remitted to the District.

For the purposes of these provisions, "Defeasance Securities" means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America.

## **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 general obligation 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 of or interest on the Bonds. Consequently, remedies available to the owners of the Bonds, including mandamus, 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 a 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 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, which reflects the State of New Mexico recent rating downgrade and 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.

## **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 and purchasing or improving school grounds and purchasing computer software and hardware for student use in public schools, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act, 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 assessed valuation of taxable property within the District is \$815,369,108 for tax year 2017. Therefore, the maximum general obligation debt may not exceed \$48,922,146. Currently, the District has \$31,500,000 in General Obligation debt outstanding.

After the Bonds are issued, the ratio of total outstanding net general obligation debt of the District to the 2017 assessed valuation will be no greater than 4.14% as summarized:

2017 Assessed Valuation	\$815,369,108
2017 Estimated Actual Valuation	\$2,702,077,635 <sup>(1)</sup>

Bonded Debt

Total Outstanding (including the Bonds)	\$36,240,000
Less Debt Service Fund Balance	<u>2,727,054</u> <sup>(2)</sup>
NET DEBT	<u>\$33,512,946</u>

Ratio of Estimated Net Debt to 2017 Assessed Valuation:	4.11%
Ratio of Estimated Net Debt to 2017 Estimated Actual Valuation:	1.24%
Per Capita Net Bonded Debt:	\$817.39
Estimated Population:	41,000

(1) Estimated actual valuation is computed by adding the exemptions to the assessed valuation and multiplying the result by three.

(2) The debt service fund cash balance was \$3,282,048 as of 06/30/2017. The amount properly attributable to principal reduction is 82.9%.

Selected Debt Ratios

2017 Assessed Valuation	\$815,369,108
2017 Estimated Actual Valuation	\$2,702,077,635 <sup>(1)</sup>
District General Obligation	
Debt Outstanding	\$31,500,000
Series 2018 Bonds	4,740,000
	\$36,240,000
District Net General Obligation Debt	\$33,512,946
Estimated Direct &	
Overlapping General Obligation Debt	\$61,388,003
District Net General Obligation Debt as a Percentage of	
Assessed Valuation	4.11%
Estimated Actual Valuation	1.24%
Estimated Direct and Overlapping Debt as a Percentage of	
Assessed Valuation	7.53%
Estimated Actual Valuation	2.10%
Estimated Population	41,000
District Net Debt Per Capita	\$817.39
Direct and Overlapping Debt Per Capita	\$1,497.27

(1) Estimated actual valuation is computed by adding the exemptions to the assessed valuation and multiplying the result by three.

## Outstanding Debt

The District has never defaulted in the payment of any of its debt or other obligations.

Series	Original Amount Issued	Final Maturity	Principal Outstanding
2009	\$6,000,000	08/01/2020	\$1,500,000
2011	10,000,000	08/01/2021	5,000,000
2012	6,000,000	08/01/2024	5,050,000
2013	5,000,000	08/01/2025	3,725,000
2014	5,000,000	08/01/2026	4,375,000
2014 ETN	1,500,000	08/01/2019	1,155,000
2015	5,565,000	08/01/2025	3,420,000
2016	5,000,000	08/01/2029	4,275,000
2017	3,000,000	08/01/2030	3,000,000
2018	4,740,000	08/01/2031	4,740,000
<b>Total</b>	<b>\$51,805,000</b>		<b>\$36,240,000</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. 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.

(8/1) Year	Current Requirements			Series 2018			Total Requirements		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2018	\$4,175,000	\$813,983	\$4,988,983				\$4,175,000	\$813,983	\$4,988,983
2019	4,120,000	673,483	4,793,483	\$75,000	\$212,098	\$287,098	4,195,000	885,580	5,080,580
2020	3,850,000	549,083	4,399,083	115,000	175,400	290,400	3,965,000	724,483	4,689,483
2021	3,050,000	440,458	3,490,458	300,000	170,800	470,800	3,350,000	611,258	3,961,258
2022	3,300,000	363,458	3,663,458	300,000	158,800	458,800	3,600,000	522,258	4,122,258
2023	3,285,000	295,208	3,580,208	175,000	146,800	321,800	3,460,000	442,008	3,902,008
2024	3,050,000	226,683	3,276,683	175,000	139,800	314,800	3,225,000	366,483	3,591,483
2025	2,320,000	158,933	2,478,933	260,000	132,800	392,800	2,580,000	291,733	2,871,733
2026	1,775,000	104,500	1,879,500	555,000	122,400	677,400	2,330,000	226,900	2,556,900
2027	775,000	61,500	836,500	555,000	100,200	655,200	1,330,000	161,700	1,491,700
2028	775,000	43,500	818,500	555,000	78,000	633,000	1,330,000	121,500	1,451,500
2029	775,000	25,500	800,500	555,000	50,250	605,250	1,330,000	75,750	1,405,750
2030	250,000	7,500	257,500	560,000	33,600	593,600	810,000	41,100	851,100
2031				560,000	16,800	576,800	560,000	16,800	576,800
<b>TOTAL</b>	<b>\$31,500,000</b>	<b>\$3,763,785</b>	<b>\$35,263,785</b>	<b>\$4,740,000</b>	<b>\$1,537,748</b>	<b>\$6,277,748</b>	<b>\$36,240,000</b>	<b>\$3,763,785</b>	<b>\$41,541,533</b>

## Direct and Overlapping Debt

The following is a calculation that is useful to investors in assessing the debt load and per capita debt of the District payable from property taxes. In addition to the outstanding debt of the District, the calculation takes into account debt attributable to other taxing entities that are the responsibility of taxpayers within the boundaries of the District. Revenue bonds are not payable from property taxes.

	<b>2017 Assessed Valuation</b>	<b>G/O Debt Outstanding</b>	<b>Percent Applicable</b>	<b>Amount</b>
State of New Mexico	\$57,173,515,395	\$475,735,000	1.43%	\$6,784,603
Otero County	1,168,080,047	-	69.80%	-
City of Alamogordo	571,898,234	16,173,400	100.00%	16,173,400
Alamogordo Public Schools	815,369,108	2,190,000	100.00%	2,190,000
NMSU Alamogordo	815,369,108	36,240,000	100.00%	36,240,000
<b>Total Direct &amp; Overlapping</b>				<b>\$61,388,003</b>
Ratio of Estimated Direct & Overlapping Debt to 2017 Assessed Valuation:				7.53%
Ratio of Estimated Direct & Overlapping Debt to 2017 Estimated Actual Valuation:				2.10%
Per Capita Direct & Overlapping Debt:				\$1,497.27
Population				41,000

Source: Otero County Assessor's Office and individual entities.

## 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 percent is legally subject to ad valorem taxes. This means the assessment ratio is 33 1/3 percent. After deduction of certain personal exemptions, the District's 2017 assessed valuation is \$815,369,108. 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 "Central Assessments" below) is determined by the State of New Mexico, Taxation and Revenue Department, Property Tax Division. The analysis of assessed valuation for 2017 and the previous four years follows.

<b>Assessments</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Value of Land	\$170,866,535	\$166,279,496	\$159,256,206	\$154,624,249	\$145,561,176
Improvements	621,734,846	606,909,220	578,714,604	560,326,617	527,027,531
Personal Property	11,874,211	9,973,437	7,515,143	8,260,297	8,604,211
Manufactured Homes	18,886,908	17,917,220	17,835,145	17,908,830	17,637,970
Livestock	1,929,957	2,615,285	1,933,433	1,399,098	1,443,555
<b>Assessor's Total Valuation</b>	<b>\$825,292,457</b>	<b>\$803,694,658</b>	<b>\$765,254,531</b>	<b>\$742,519,091</b>	<b>\$700,274,443</b>
<b>Less Exemptions</b>					
Head of Family	\$12,367,145	\$12,299,359	\$13,004,269	\$12,303,106	\$12,632,926
Veterans	25,585,186	26,745,738	25,530,027	25,584,922	24,289,025
Other	44,913,494	42,340,999	27,231,424	25,573,946	293,013
<b>Total Exemptions</b>	<b>\$85,323,437</b>	<b>\$81,386,096</b>	<b>\$65,765,720</b>	<b>\$63,461,974</b>	<b>\$37,214,964</b>
<b>Assessors' Net Valuation</b>	<b>\$739,969,020</b>	<b>\$722,308,562</b>	<b>\$699,488,811</b>	<b>\$679,057,117</b>	<b>\$663,059,479</b>
<b>Centrally Assessed</b>	<b>75,400,088</b>	<b>73,287,774</b>	<b>72,594,358</b>	<b>65,951,269</b>	<b>58,824,222</b>
<b>Total Assessed Valuation</b>	<b>\$815,369,108</b>	<b>\$795,596,336</b>	<b>\$772,083,169</b>	<b>\$745,008,386</b>	<b>\$721,883,701</b>
Residential	\$567,651,983	\$555,950,343	\$540,201,072	\$523,125,281	\$508,614,400
Non-Residential	247,717,125	239,645,993	231,882,097	221,883,105	213,269,301
	<b>\$815,369,108</b>	<b>\$795,596,336</b>	<b>\$772,083,169</b>	<b>\$745,008,386</b>	<b>\$721,883,701</b>

Source: Otero County Assessor's Office.

## History of Assessed Valuation

The following is a ten-year history of assessed valuation for the District compared with the City of Alamogordo and Otero County.

<b>Tax Year</b>	<b>Alamogordo School District</b>	<b>City of Alamogordo</b>	<b>Otero County</b>
2008	\$593,594,956	\$419,557,193	\$828,282,406
2009	610,559,144	434,191,875	861,036,924
2010	645,736,474	457,295,774	911,689,055
2011	670,590,295	474,303,501	946,961,092
2012	701,811,933	499,459,013	993,188,730
2013	721,883,701	512,497,203	1,033,349,939
2014	745,008,386	519,987,104	1,065,692,672
2015	772,083,169	543,096,306	1,105,216,987
2016	795,596,336	555,715,239	1,134,321,444
2017	815,369,108	571,898,234	1,168,080,047

Source: Otero County Assessor

## Major Taxpayers

The following is a list of the ten largest taxpayers in the District, along with the 2017 assessed valuation for each. Property taxes are current for these taxpayers. This table is useful in assessing the concentration risk of the tax base. The ten largest taxpayers assessed valuation is 9.16% of the District's total 2017 assessed value.

<b>Name</b>	<b>2017 A.V.</b>	<b>% of AV</b>
Union Pacific Railroad Company	\$31,157,436	3.82%
Public Service Co of New Mexico	16,395,548	2.01%
El Paso Electric Co.	4,315,000	0.53%
Otero County Electric	3,895,877	0.48%
TDS Baja Broadband LLC	3,800,520	0.47%
Qwest Corp.	3,558,523	0.44%
Las Ventanas Property LLC	3,529,156	0.43%
New Mexico Gas Company	3,206,118	0.39%
Otero Federal Credit Union	2,641,435	0.32%
Bank 34	2,177,835	0.27%
	<b>\$74,677,448</b>	<b>9.16%</b>
2017 Alamogordo Schools A.V.	\$815,369,108	

Source: Otero 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 the 2017 tax 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.

	2017	2016	2015	2014	2013
State of New Mexico	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Otero County	6.714	6.752	6.882	6.946	7.048
City of Alamogordo	4.881	4.877	4.959	4.991	5.058
Alamogordo Schools	0.315	0.315	0.321	0.323	0.327
NMSU - Alamogordo	0.756	0.744	0.752	0.757	0.767
<b>Total</b>	<b>\$12.666</b>	<b>\$12.688</b>	<b>\$12.914</b>	<b>\$13.017</b>	<b>\$13.200</b>

### Over 20 Mill Limit - Interest, Principal, Judgement, etc.

State of New Mexico	\$1.360	\$1.360	\$1.360	\$1.360	\$1.360
Otero County	0.000	0.000	0.000	0.000	0.000
City of Alamogordo	1.838	1.837	1.876	1.981	1.470
Alamogordo Schools	7.994	7.940	8.106	7.936	7.961
NMSU - Alamogordo	0.600	0.450	0.000	0.800	0.800
<b>Total</b>	<b>\$11.792</b>	<b>\$11.587</b>	<b>\$11.342</b>	<b>\$12.077</b>	<b>\$11.591</b>

### TOTAL LEVY

State of New Mexico	\$1.360	\$1.360	\$1.360	\$1.360	\$1.360
Otero County	6.714	6.752	6.882	6.946	7.048
City of Alamogordo	6.719	6.714	6.835	6.972	6.528
Alamogordo Schools	8.309	8.255	8.427	8.259	8.288
NMSU - Alamogordo	1.356	1.194	0.752	1.557	1.567
<b>Total Residential</b>	<b>\$24.458</b>	<b>\$24.275</b>	<b>\$24.256</b>	<b>\$25.094</b>	<b>\$24.791</b>
<b>Total Non-Residential</b>	<b>\$32.385</b>	<b>\$32.166</b>	<b>\$31.904</b>	<b>\$32.627</b>	<b>\$32.116</b>

Source: New Mexico Department of Finance & Administration.



## School Tax Rates

The following table shows the historical school tax levies on property within the District since the 2013 tax year (2011-12 fiscal year). The Two Mill Levy, a capital improvements tax imposition, is renewed every six years, most recently in February 2013. The next Two Mill Levy election is scheduled for 2019.

This table breaks down the District's total tax rate shown in the previous tables.

Tax Year	Operational		Two Mill Levy		Debt Service			Total	
	Res	Non Res	Res	Non Res	GO Bonds	ETNs	Total	Res	Non Res
2013	0.327	0.500	1.889	2.000	5.484	0.588	6.072	8.288	8.572
2014	0.323	0.500	1.864	2.000	5.693	0.379	6.072	8.259	8.572
2015	0.321	0.500	1.852	2.000	5.778	0.476	6.254	8.427	8.754
2016	0.315	0.495	1.821	2.000	5.855	0.264	6.119	8.255	8.614
2017	0.315	0.500	1.821	2.000	5.435	0.738	6.173	8.309	8.673

Source: New Mexico Department of Finance & Administration.

## Yield Control Limitations

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 that will produce revenues that 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. However, if that percentage is less than 100%, 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, "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 NMSA 1978, Sections 7-36-21.2 and 7-36-21.3. NMSA 1978, Section 7-36-21.2 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 NMSA 1978, Section 7-36-21.3.

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. This decision was appealed to the New Mexico Supreme Court. The Supreme Court affirmed this decision on June 30, 2014. 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 within the boundaries of the District.

NMSA 1978, Section 7-36-21.3 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 NMSA 1978, Section 7-36-21.3 limitation does not apply to:

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

## Tax Collections

The level of tax collections is an important component in the analysis of the ability to pay principal and interest on a timely basis. General property taxes with the exception of those taxes on oil and gas production and equipment 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 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 the County Treasurer collects taxes are as follows:

Property Tax Collections for Otero County						
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	\$27,777,277	\$17,102,604	61.57%	\$17,102,604	61.57%
2016	16/17	26,877,592	25,012,493	93.06%	26,034,745	96.86%
2015	15/16	26,037,519	24,571,377	94.37%	25,678,331	98.62%
2014	14/15	25,639,225	23,775,223	92.73%	25,603,226	99.86%
2013	13/14	24,552,611	23,083,217	94.02%	24,510,484	99.83%
2012	12/13	23,672,943	22,014,273	92.99%	23,641,957	99.87%
2011	11/12	22,776,842	21,317,856	93.59%	22,752,239	100.00%
2010	10/11	21,967,265	20,544,334	93.52%	21,941,845	100.00%
2009	09/10	21,001,384	19,634,464	93.49%	20,987,824	99.94%
2008	08/09	20,394,672	19,054,137	93.43%	20,381,645	100.00%

(1) Current collections through June 30 of each complete tax year, except for tax year 2017

(2) As of February 28, 2018

Source: Otero County Treasurer's Office

### **Interest on Delinquent Taxes**

Pursuant to NMSA 1978, Section 7-38-49, if property taxes are not paid for any reason within 30 days after the date they are due, interest on the unpaid taxes shall accrue from the 30th day 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 NMSA 1978, Section 7-38-50, 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 must 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 \$50.00, whichever is greater, shall be added as a penalty.

### **Remedies Available for Non-Payment of Taxes**

Pursuant to NMSA 1978, Section 7-38-47, property taxes are the personal obligation of the person owning the property on the date upon 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 NMSA 1978, Section 7-38-65, delinquent taxes on real property may be collected by selling the real property on which taxes are delinquent.

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

## **THE DISTRICT**

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

The District is located in the southeastern portion of Otero County and north-central New Mexico. The District contains approximately 3,772 square miles with an estimated population of 41,000. The District operates 10 elementary schools, 3 middle schools, and 2 high schools.

### **School District Powers**

The District's powers are subject to regulations adopted by the New Mexico Public Education Department ("PED"). Pursuant to an amendment to Article XII, Section 6 of the New Mexico Constitution, adopted at a special election held September 23, 2003, the Secretary of Education (the "Secretary") is the governing authority and has control, management, and direction of all public schools pursuant to power provided by law. The Secretary further exercises supervision and authority over the PED. Generally, the powers of the Secretary and the PED include determining policy regarding operations of all public schools, designating courses of instruction, adopting regulations, determining qualifications for teachers, counselors and their assistants, and prescribing minimum educational standards. The Secretary may order the creation or 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, develops educational policies subject to rules of the PED 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, which effective July 1, 2018, will be held on the first Tuesday after the first Monday in November of odd-numbered years. The District Board Members are:

David W. Weaver, President  
term expires December 31, 2019

David Borunda, Member;  
term expires December 31, 2019

Angela M. Cadwaller, Vice President;  
term expires December 31, 2021

Carol Teweleit, Member;  
term expires December 31, 2021

Timothy C. Wolfe, Secretary,  
term expires December 31, 2019

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

Adrienne Salas, Superintendent of Schools, Mrs. Salas was selected as Superintendent in 2014. She has been employed with the District since 1991 and has held various positions including Principal and Executive Director of Secondary Education. Mrs. Salas received her Master's Degree in education from Grand Canyon University and her Bachelor's Degree in Elementary Education with a minor in Language Arts from New Mexico State University.

Carol Genest, Director of Business and Finance, Carol Genest, Director of Business & Finance began working with the District on July 1, 2011 in her current position. She also serves as the District's Chief Procurement Officer. She has worked in similar positions at three other New Mexico Schools for a total of 15 combined years. Ms. Genest received her Bachelor of Business Administration and Accounting Degree from Eastern New Mexico University.

Vance Lee, Executive Director of Support Services, Mr. Lee was selected as Director in 2012. He has been employed with the District since 2011 and has held various positions including Assistant Principal and Director of Support Services. Mr. Lee is completing his 23rd year in education. Mr. Lee received his Master's Degree in Education Administration from University of Phoenix in 2001 and his Bachelor's Degree in Business Marketing Education from Western New Mexico University in 1995.

## **Insurance**

The District is a member of the New Mexico State 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 worker'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. The Insurance Authority also provides health, dental and vision insurance to the District.

## **Intergovernmental Agreements**

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

## **School Property**

In addition to the school buildings and their contents, the District owns the land upon which school buildings and facilities are located, which includes the District Administration Building, a Federal Directors Building, a Maintenance Shop and Custodial Center, and an instructional materials warehouse. In addition, the District owns and operates a total of seven buses, 6 activity buses and 1 route bus.

## **Enrollment**

The District's enrollment has increased .18% over the 2016-17 school year. Set forth below is the District's enrollment for the last five years. For a discussion of the relationship between student enrollment and amounts of

financial support provided by the State for public schools, see “FINANCES OF THE EDUCATIONAL PROGRAM - SOURCES OF REVENUES FOR GENERAL FUND”.

	2013-14	2014-15	2015-16	2016-17	2017-18
Elementary	3,153	3,105	3,044	3,057	3,090
Middle	1,281	1,260	1,276	1,314	1,293
High	1,618	1,549	1,540	1,575	1,574
<b>Total</b>	<b>6,052</b>	<b>5,914</b>	<b>5,860</b>	<b>5,946</b>	<b>5,957</b>

Source: New Mexico Public Education Department.

## 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 both the judicial and legislative processes. As a result, the District cannot anticipate with certainty all of the factors that may influence the financing of its future activities. There is no assurance that there will not be any change in, interpretation of or additions to the applicable laws, provisions and regulations that would have a material effect, directly or indirectly, on the affairs of the District.

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

### Recent and Current Legislative Action

The New Mexico State Legislature met in special session in October, 2016, to address the statewide budget deficit. The state equalization guarantee for public schools support was reduced by \$37,800,000. The effect of that reduction was to reduce the District's 2016-2017 state equalization guarantee appropriation. However the APS had growth on the 40th day count; therefore, the district experienced a slight growth in SEG of \$179,036.99, despite the drop in unit value. The New Mexico State Legislature additionally reduced appropriations to both the Transportation Fund and the Instructional Material Fund. APS chose the option to reduce the entire amount of \$226,294.21 from the instructional materials fund.

During the 2017 Regular Legislative Session for the State of New Mexico the Legislature passed and the governor signed legislation for the purpose reestablishing the State's fund balance and addressing the State's 2017 budget. The resulting legislation allows the State to "sweep" balances from school districts. The 2018 Regular Legislative Session increased unit value by \$75.

During the New Mexico State Legislature's 2018 regular session, the New Mexico State Legislature passed House Bill 98 (HB 98) which enacted the Local Elections Act amending the State's election statutes to consolidate virtually all nonpartisan local elections on the same day. HB 98 was signed by Governor Susana Martinez on March 7, 2018, and will take effect on July 1, 2018. Among other things, statutory amendments contemplated by HB 98 provide that elections for school districts, community college districts, flood control districts, special zoning districts and soil and water sanitation districts will be merged starting in 2019. HB 98 also permits certain municipalities to opt-in to the elections at the regular elections contemplated by HB98. As a result of the statutory amendments, the dates for all of these nonpartisan regular elections will occur on the first Tuesday after the first Monday in November of each odd-numbered year. Matters voted on at these regular elections could include election of school board members, municipal officers and the officers for other districts that have taxation authority. Ballots may also include bond questions and local mill levies for the voter's consideration. HB 98 further amends the special election provisions contained under Section 1-24-1 NMSA to eliminate in person voting at special elections and to require that all such special elections be conducted by mailed ballot. It is uncertain what impact the consolidated voting requirements and/or the amendments to the special election requirements contained in HB 98 will have on the District's future elections, including proposed future bond elections and mill levy elections.

## Sources of Revenue for General Fund

The General Fund is used to account for resources of the operational fund, student activity funds and other resources not accounted for in another fund. The sources of revenue for the District's General Fund are:

Local Revenues - Local revenues are a minor source of revenue to the District made up, 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 \$493,623 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 \$681,311 in federal revenues for its General Fund.

State Revenues - The District's largest source of annual revenue is derived from the State Equalization Guarantee distribution described below. During fiscal year 2017 the District received \$40,513,726 from state sources. Such payments represented approximately 97% of actual fiscal year 2017 General Fund Revenue.

### State Equalization Guarantee Program

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.

In addition, the equalization funding for a district is based on previous year’s enrollment rather than current year enrollment.

SEG payments to the District are as follows:

<b>Year</b>	<b>Program Unit Value</b>	<b>Number of Program Units</b>	<b>SEG Payment</b>
2017-18	\$4,053.55	9,946	\$40,316,875
2016-17	3,979.63	9,928	39,510,403
2015-16	4,027.75	9,702	39,077,520
2014-15	4,005.75	9,769	39,131,034
2013-14	3,817.55	10,383	39,637,038

*Source: New Mexico Public Education Department and the District.*

The PED receives federal mineral-leasing funds from which it makes annual allocations to the District for purchasing textbooks. In fiscal year 2017, the District received \$408,272 for textbook purchases.

The District is also reimbursed by the State for the costs of transporting pupils to and from school. These payments are based upon a formula consisting of the number of students per square mile that are transported. In fiscal year 2017, the District received \$1,735,625 for transportation purposes.

## Balance Sheet

The following is a history of the District's General Fund Balance Sheet. The General Fund includes Operational, Transportation and Instructional Materials. 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 prior four fiscal 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).

	<u>06/30/13</u>	<u>06/30/14</u>	<u>06/30/15</u>	<u>06/30/16</u>	<u>06/30/17</u>
<b>ASSETS:</b>					
Cash & Cash equivalents	\$ 5,497,645	\$ 6,559,766	\$ 8,748,567	\$ 6,691,288	\$ 3,745,230
Receivables					
Property Taxes	22,217	21,494	21,593	20,331	21,549
Due from other governments	46,314	59	-	-	-
Other	11,557	5,676	10,655	-	-
Inventory	52,349	62,128	59,452	-	-
Due from other funds	852,768	1,091,638	1,009,856	1,691,212	1,077,621
<b>Total Assets</b>	<b>\$ 6,482,850</b>	<b>\$ 7,740,761</b>	<b>\$ 9,850,123</b>	<b>\$ 8,402,831</b>	<b>\$ 4,844,400</b>
<b>LIABILITIES AND EQUITY:</b>					
Accounts payable	209,521	153,405	144,688	93,265	137,445
Deposits payable	-	-	-	-	-
Accrued payroll	2,019,622	2,073,715	2,181,906	2,030,822	817,886
Accrued compensated absences	-	-	-	-	-
Interfund payables	-	-	-	-	-
Deferred revenue - property taxes	15,768	-	-	-	-
<b>Total Liabilities</b>	<b>\$ 2,244,911</b>	<b>\$ 2,227,120</b>	<b>\$ 2,326,594</b>	<b>\$ 2,124,087</b>	<b>\$ 955,331</b>
<i>Deferred inflows of resources</i>					
Unavailable revenue-property taxes	-	\$ 19,153	\$ 17,640	\$ 17,269	\$ 13,640
<i>Total deferred inflows of resources</i>	-	19,153	17,640	17,269	13,640
<b>Fund balances:</b>					
Nonspendable					
Inventory	\$ 52,349	\$ 62,128	\$ 59,452	\$ -	\$ -
Restricted for Instruction Material	574,510	350,016	614,364	292,271	-
Restricted for transportation	2	-	-	-	-
Committed for Minimum fund balance	-	327,988	437,428	334,564	-
Committed for Subsequent year's expenditures	1,123,169	1,519,767	3,411,498	2,954,756	-
Unassigned	2,487,909	3,234,589	2,983,147	2,679,884	3,875,429
<b>Total Fund balances</b>	<b>\$ 4,237,939</b>	<b>\$ 5,494,488</b>	<b>\$ 7,505,889</b>	<b>\$ 6,261,475</b>	<b>\$ 3,875,429</b>
<b>Total Liabilities and fund balances</b>	<b>\$ 6,482,850</b>	<b>\$ 7,740,761</b>	<b>\$ 9,850,123</b>	<b>\$ 8,402,831</b>	<b>\$ 4,844,400</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 fiscal 2017 is attached as Appendix B.



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

The following is a history of the District's General Fund Statement of Statement of Revenues, Expenditures & Changes in Fund Balances. 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 prior four fiscal 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 & CHANGES IN FUND BALANCES - GENERAL FUND <sup>(1)</sup>

	06/30/2013	06/30/2014	06/30/2015	06/30/2016	06/30/2017
<b>Revenues:</b>					
Taxes	\$264,993	\$268,407	\$282,230	\$289,274	\$295,913
Federal funding	1,632,683	1,078,387	1,149,066	1,142,446	681,311
State funding	40,338,497	40,064,459	41,288,612	39,206,629	40,513,726
Transportation distribution	1,381,982	1,531,518	1,490,802	1,643,052	
Charges for services	162,552	471,103	192,204	173,702	
Miscellaneous	1,896	215	8,745	12,184	197,710
<b>Total Revenues</b>	<b>\$43,782,603</b>	<b>\$43,414,089</b>	<b>\$44,411,659</b>	<b>\$42,467,287</b>	<b>\$41,688,660</b>
<b>Expenditures:</b>					
Instruction	\$25,136,476	\$25,079,231	\$24,807,505	\$25,507,932	\$25,433,767
Student support services	3,788,103	3,703,077	4,075,068	4,142,586	4,070,463
Support Services Instruction	886,370	815,608	899,934	683,480	699,184
Support Services General Administration	925,104	874,921	782,582	1,072,208	1,141,483
Support Services School Administration	2,254,852	2,253,048	2,412,555	2,398,910	2,293,219
Central services	1,985,053	2,002,887	2,101,213	2,206,118	2,232,428
Operation & maintenance of plant	5,759,686	5,641,657	5,688,229	6,032,195	6,091,395
Student transportation	1,620,521	1,548,220	1,490,869	1,643,416	1,735,625
Food services	38,423	-	138,507	23,252	30,000
Other support services	204,167	72,637	-	1,604	
Capital outlay	72,855	192,670	5,310	-	121,522
<b>Total Expenditures</b>	<b>\$42,671,610</b>	<b>\$42,183,956</b>	<b>\$42,401,772</b>	<b>\$43,711,701</b>	<b>\$43,849,086</b>
Excess (deficiency) of revenues over expenditures	1,110,993	1,230,133	2,009,887	(1,244,414)	(2,160,426)
Other financing sources	19,780	26,416	1,514	-	(226,294)
Net changes in fund balances	1,130,773	1,256,549	2,011,401	(1,244,414)	(2,386,720)
Fund Balance, beginning of year	3,107,166	4,237,939	5,494,488	7,505,889	6,261,475
<b>Fund Balance, end of year</b>	<b>\$4,237,939</b>	<b>\$5,494,488</b>	<b>\$7,505,889</b>	<b>\$6,261,475</b>	<b>3,874,756</b>
<b>GF Balance as % of Revenues</b>	<b>9.7%</b>	<b>12.7%</b>	<b>16.9%</b>	<b>14.7%</b>	<b>9.3%</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 fiscal 2017 is attached as Appendix B.

## **Title I Special Revenue Funds**

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

## **Debt Service**

The Debt Service Fund is used to account for accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

## **Bond Building Capital Projects**

The Bond Building Capital Projects Fund is used to account for bond proceeds plus 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.

## **Agency Funds**

The Agency Funds account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

## **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. Instances 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 the 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.

## Employees and Retirement Plan

The District employs approximately 369 teachers, 162 instructional support staff, 139 non-instructional support staff, 55 food service employees, and 32 Administrators, Principals, and Coordinators, and 1 legal counsel for an approximate total of 758 full time employees.

### ERB Pension Plan

Employees of the District participate in a public employee retirement system authorized under the Educational Retirement Act ("ERA"). The Educational Retirement Board ("ERB"), pursuant to NMSA 1978, Section 22-11-6, 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 and beneficiaries. The ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information of the Plan. That report is available on the ERB's website at [www.nmerb.org](http://www.nmerb.org). Following is a partial history of employer and employee contributions statewide, and average asset balance of the Plan:

<b>Fiscal Year Ending June 30</b>	<b>Employer Contributions</b>	<b>Employee Contributions</b>	<b>Average Asset Balance</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	12,646,682,325

*Source: State of New Mexico Educational Retirement Board.*

### Funding Policy

*Contributions.* The contribution requirements of plan members and the District are established in state statute under NMSA 1978, Chapter 10, Article 11. For the fiscal year ended June 30, 2017 (and thereafter) employers contributed 13.90% of employees' gross annual salary to the Plan; participating employees earning more than \$20,000 annually contributed 10.70% of their gross salary. Employees earning \$20,000 or less contributed 7.90%. Contributions to the Plan from the District were \$4,031,669 for the year ended June 30, 2017.

*Net Pension Liability.* 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, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015. At June 30, 2016, the District reported a liability of \$65,430,753 for its proportionate share of the net pension liability. The District's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2015. The contribution amounts were defined by NMSA 1978, Section 22-11-21. At June 30, 2015, the District's proportion was 1.01016 percent, which was a decrease of 0.0103 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2017, the District recognized pension expense of \$4,953,250.

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 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. The District is assessing the full extent of the effect of the new standards on the District's audited financial statements. Statement No. 68 is effective beginning with the fiscal year ending June 30, 2015 for the District.

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 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 Plan, and made certain other clarifying and technical changes.

In December 2013, the New Mexico Supreme Court, *Bartlett 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.

#### Post-Employment Benefits

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 (NMSA 1978, Chapter 10, Article 7C). The Board is responsible 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 made contributions as a participant in the plan; 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.

#### Funding Policy

The Retiree Health Care Act (NMSA 1978, Section 10-7C-13) 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 (NMSA 1978, Section 10-7C-15) 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 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, 2016, 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, 2015 and June 30, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; and each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to NMSA 1978, Section 10-7C-15 (G), at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to NMSA 1978, Section 7-1-6.1 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District's contribution to the RHCA for the years ended June 30, 2016, 2015, and 2014 were \$566,583, \$574,428, \$561,500, respectively, which equal the required contributions for each year.

## **TAX MATTERS**

### **Federal Income Tax Opinion**

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest of which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated in this subsection and the subsection "New Mexico Income Tax Opinion," Co-Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix D Form of Opinion of McCall, Parkhurst & Horton L.L.P.

In rendering its opinion, McCall, Parkhurst & Horton L.L.P. will rely upon (a) the District's federal tax certificate and (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the District to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of McCall, Parkhurst & Horton L.L.P. is conditioned on compliance by the District with such requirements, and McCall, Parkhurst & Horton L.L.P. has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

The opinion rendered by McCall, Parkhurst & Horton L.L.P. represents its legal judgement based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. The opinion rendered by McCall, Parkhurst & Horton L.L.P. is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal

Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion rendered by McCall, Parkhurst & Horton L.L.P. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

### **New Mexico Income Tax Opinion**

On the date of initial delivery of the Bonds, Cuddy & McCarthy, LLP, Santa Fe, New Mexico and McCall, Parkhurst & Horton L.L.P., Austin, Texas, will render their opinions that interest on the Bonds will be excluded from net income for purposes of New Mexico state income tax. Cuddy & McCarthy, LLP expresses no opinion as to any other federal, state or local tax consequences, except as described in this subsection.

### **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profit tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM RECENTLY ENACTED LEGISLATION OR FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of an obligation issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

### **State, Local & Foreign Taxes**

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

### **Information Reporting and Backup Withholding**

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under Section 3406 of the Code if a recipient of the payments fails to

furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of non- U.S. holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

### **Future and Proposed Legislation**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

### **Qualified Tax-Exempt Obligations for Financial Institutions**

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District expects to designate the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action which would assure, or to refrain from such action which would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds would not be "qualified tax-exempt obligations."**

### **CONTINUING DISCLOSURE UNDERTAKING**

In the Bond Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be publicly available on the MSRB's website at [www.emma.msrb.org](http://www.emma.msrb.org).

## **Annual Reports**

The District will provide annually certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative 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 - Enrollment" and "FINANCES OF THE EDUCATIONAL PROGRAM - State Equalization Guarantee Program, Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances" and "Appendix B." The District will update and provide this information March 31 of each fiscal year beginning in 2019.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated 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, the District will provide unaudited financial statements by the required time and will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with accounting principles as in the District's annual financial statements attached hereto or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is June 30. Accordingly, it must provide updated information by March 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

## **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 delinquencies; 2) Non-payment related defaults, if material within the meaning of the federal securities laws; 3) Unscheduled draws on debt service reserves reflecting financial difficulties; 4) Unscheduled draws on credit enhancements reflecting financial difficulties; 5) Substitution of credit or liquidity providers, or their failure to perform; 6) 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-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; 7) Modifications to rights of holders of the Bonds, if material within the meaning of the federal securities laws; 8) Bond calls, if material within the meaning of the federal securities laws; 9) Defeasances; 10) Release, substitution, or sale of property securing repayment of the Bonds, if material within the meaning of the federal securities laws; 11) Rating changes; 12) tender offers; 13) Bankruptcy, insolvency, receivership or similar event of the District; 14) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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 within the meaning of the federal securities laws; and 15) Appointment of a successor or additional trustee or the change of name of a trustee, if material with the meaning of the federal securities laws.

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."

## **Availability of Information from the MSRB**

The District has agreed to provide the foregoing information only to the MSRB. All documents provided by the District to the MSRB described under "Annual Reports" and "Event Notices" will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

The address of the MSRB is 1900 Duke Street, Suite 6000, Alexandria, Virginia 22314 and its telephone number is (703) 797-6600.



## Limitations and Amendments

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

This continuing disclosure agreement may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law or a change in the identity, nature, status or type of operations of the District, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Bond Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the Holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling bonds in the primary offering of the Bonds.

## Compliance with Prior Undertakings

During the past five years the District has made continuing disclosure agreements in accordance with SEC Rule 15c2-12 and is in material compliance with such agreements.

## LITIGATION

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 proceedings are 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 collecting 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.

Recently two lawsuits were filed challenging the funding of the State's primary and secondary education system. In March 2014, individual plaintiffs in New Mexico District Court in McKinley County brought suit against the State, among others, alleging, among other things, that the State's educational funding formula violates the sufficiency of education and uniform system of public schools provision of the New Mexico Constitution and asking the court for injunctive relief ordering the State to develop a budget and funding formula that sufficiently, uniformly and equitably funds the public school system. In April 2014, individual plaintiffs in New Mexico District Court in Santa Fe County brought suit against the State, among others, alleging, among other things, that the State has failed to provide a sufficient and uniform system of education in violation of the sufficiency, uniformity, equal protection and due process provisions of the New Mexico Constitution because of an inadequate and arbitrary funding system. The lawsuits ask for a declaratory judgment and injunctive relief requiring the adoption of a school finance system to remedy these violations. No final decisions have been reached in these cases and it is premature to assess what effect, if any, these lawsuits might have on the State's school finance system.

## **RATING**

Moody's Investors Service has assigned the Bonds a rating of "Aa2" 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 "A1". An explanation of the significance of the rating given by Moody's Investors Service may be obtained from Moody's Investors Service, 99 Church Street, New York, New York 10007. There is no assurance that the rating will not 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 an adverse effect on the market price of the Bonds.

## **LEGAL MATTERS**

The written approval of the New Mexico Attorney General as to form and legality of the Bonds will be supplied. In addition, the legality of the bonds will be approved by Cuddy & McCarthy, LLP, Santa Fe, New Mexico, and McCall, Parkhurst & Horton L.L.P., Austin, Texas, as Co-Bond Counsel, whose unqualified opinions approving the legality of the Bonds will be furnished to the successful bidder at no cost to the successful bidder.

In connection with the transactions described in this Official Statement, Co-Bond Counsel represent the District. The fee to be paid to Co-Bond Counsel is contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## **DISCLOSURE CERTIFICATE**

The final certificate included in the transcript of legal proceedings will include the following: At closing the Superintendent or Director of Finance will sign a certificate stating, after reasonable investigation, that to the best of his or her knowledge (a) no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, public board, or body, is pending, or, to the best of his or her knowledge, threatened in any way contesting the completeness or accuracy of the Final Official Statement, (b) the Final Official Statement, as it pertains to the District and the Bonds, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (c) no event affecting the District has occurred since the date of the Final Official Statement, which should be disclosed therein for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any respect; provided, however, that the District does not make any representation concerning the pricing information contained in the Final Official Statement.

## **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/  
\_\_\_\_\_  
President, Board of Education

/s/  
\_\_\_\_\_  
Secretary, Board of Education

## APPENDIX A

### ECONOMIC & DEMOGRAPHIC INFORMATION

## THE ECONOMY

*The City of Alamogordo* is an incorporated municipality and a political subdivision of the State of New Mexico (the "State") organized and existing under and pursuant to the Constitution and the laws of the State and a home rule charter. The City was incorporated as a village in 1912, operated as a city with a Commission-Manager form of government under the general statutes from 1950 to 1983, adopted its home rule charter in 1983, and since 1983 has been and now is operating with a Commission-Manager form of government under such charter. The City is located in the southern portion of the State approximately 215 miles south of Albuquerque and approximately 65 miles northeast of Las Cruces. The City has a land area of approximately 17.5 square miles. Alamogordo is the largest community in Otero County and serves as the county seat.

The City of Alamogordo is dissected by Highway 54, a northwest arterial and is situated at the crossroads of two transcontinental highways, U.S. 70 and 82. The District is also served by the Southern Pacific Railroad, and additional surface transportation is provided by all major bus and trucking companies.

The economy of the District is largely centered on governmental facilities, including Holloman Air Force Base, White Sands Missile Range, and the German Air Force Training Center. Holloman Air Force Base has been in operation since May 1942, covers 59,639 acres, and is presently home to the 49th Wing. The 49th Wing supports national security objectives by deploying worldwide to support peacetime and wartime activities. The wing provides combat-ready airmen and aircraft, and trains MQ-1 Predator and MQ-9 Reaper pilots and sensor operators. The 54th Fighter group, a detachment from Luke AFB in Arizona, is stationed at Holloman to facilitate high speed training, live fire weapons training and night flying. In addition, two squadrons, consisting of 45 aircraft from Hill AFB Utah, are now temporarily assigned to Holloman and the community is awaiting the 2020 announcement for permanent placement of the aircraft. Maintenance for these aircraft will be performed by civilian contractors. AECOM was awarded the contract for the F-16 maintenance which consists 638 positions. Assignment to placement of the Holloman Air Force Base is the largest employer in Otero County, employing 3,720 military and 1651 civilians.<sup>1</sup>

White Sands Missile Range is the birthplace of the U.S. rocket program in the 1940's, and the north end of the range was the site of the first atomic bomb detonation on July 16, 1945. The range covers two million acres or about 3,200 square miles and is the premier test range in the world. The range is still used for testing missiles and missile defense systems and other defense-related research. Since 1992, the German Air Force has maintained a tactical training center at Holloman Air Force Base ("HAFB") to train its pilots using the White Sands Missile Range and for joint strike training with the U.S. Air Force. The German Air Force will leave the base in 2019; the German Air Force is terminating its contract with the U.S. Air Force to operate the Tactical Training Center at Holloman and will move its training to Deutsche Luftwaffe bases at Schleswig and Buechel in Germany<sup>2</sup>.

A number of retail business have moved to Alamogordo as a result of the military growth and placement of the additional f-16 aircraft. Under new ownership, the White Sands Mall has expanded with new construction has brought in additional franchises resulting in a net gain of increase of over 600 jobs. These include TLC Call Center, Melrose, Hobby Lobby, Ross, Marshall's.

### *Tourism*

The other important component of the area economy is tourism. White Sands National Monument is located within the District. Here, great wave-like dunes of white gypsum cover almost 300 square miles of desert. White Sands is New Mexico's number one National Monument attraction.

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<sup>1</sup> Department of Defense. Military Installations. [http://www.militaryinstallations.dod.mil/MOS/f?p=MI:CONTENT:0:::P4\\_INST\\_ID,P4\\_CONTENT\\_TITLE,P4\\_CONTENT\\_EKMT\\_ID,P4\\_CONTENT\\_DIRECTOR Y:3565,Installation%20Overview,30.90.30.30.0.0.0.0,1](http://www.militaryinstallations.dod.mil/MOS/f?p=MI:CONTENT:0:::P4_INST_ID,P4_CONTENT_TITLE,P4_CONTENT_EKMT_ID,P4_CONTENT_DIRECTOR Y:3565,Installation%20Overview,30.90.30.30.0.0.0.0,1)

<sup>2</sup> German Air Force leaving Holloman. Albuquerque Journal. 4/15/2016 [http://www.abqjournal.com/757845/news/german-air-force-leaving-holloman-afb.html?paperboy=loggedin&utm\\_source=Albuquerque+Journal+Newsletters&utm\\_campaign=c32d13c691-paperboy\\_breaking\\_news\\_160415\\_091943&utm\\_medium=email&utm\\_term=0\\_2dcf4c82cd-c32d13c691-108029073](http://www.abqjournal.com/757845/news/german-air-force-leaving-holloman-afb.html?paperboy=loggedin&utm_source=Albuquerque+Journal+Newsletters&utm_campaign=c32d13c691-paperboy_breaking_news_160415_091943&utm_medium=email&utm_term=0_2dcf4c82cd-c32d13c691-108029073)

Lincoln National Forest is well known as the birthplace of Smokey Bear, the national symbol of the campaign against human-caused forest fires. The forest consists of three mountain ranges, Sacramento, Guadalupe and Capitan, that cover 1,103,441 acres spanning four New Mexico counties. Lincoln National Forest provides a watershed and hunting, fishing and camping opportunities for area residents and visitors. Other tourist attractions in the area include the New Mexico Museum of Space History, the Oliver Lee Memorial State Park, the Three Rivers Petroglyph Site, the Old Town Alamogordo, and the Toy Train Depot in Alameda Park.

*The Alamogordo Branch Community College District* is situated in the foothills, at the base of the Sacramento Mountains. This vantage point overlooks the city of Alamogordo and the Tularosa Basin. The service area of the school includes Holloman Air Force Base (HAFB), White Sands Missile Range, and stretches beyond the view to include the Mescalero Apache Reservation and approximately twenty villages and towns. Much of the south central New Mexico region benefits from the convenient location of the campus.

New Mexico State University – Alamogordo (“NMSU-A”) was established in 1958 with an initial enrollment of 278 students. The classes were held at night on the Alamogordo High School campus. The objective of this post-secondary educational venture was to serve the military and civilian personnel from HAFB, as well as students from the local non-military population.

There are approximately 1,750 students enrolled in degree and certificate programs based on the fall 2016 headcount<sup>3</sup>. At the same time, the number and the character of students' objectives have also grown. The basic two year traditional university credited education has been expanded and enriched. NMSU-A has evolved from offering only two year traditional education courses to providing occupational/technical programs and courses for personal enrichment as well as selected bachelor completion programs through NMSU-Las Cruces Distance Education. NMSU-A currently offers 11 Associate Degree Programs, 13 Associate of Applied Science Degree Programs and over 10 Certificate Programs<sup>4</sup>.

NMSU-A is a two year community college campus dedicated to the concept of high-quality, cost-effective education that meets the needs of a diverse community. While some students continue to value the long established core courses, others are seeking alternatives to the traditional liberal arts education. Every possible effort is being made at NMSU-A to keep programs and curricula flexible in order to accommodate varied and expanding community educational needs.

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<sup>3</sup> New Mexico State University Alamogordo Branch Community College. Annual Disclosure Report. <http://emma.msrb.org/EP974540-EP756022-EP1157645.pdf>

<sup>4</sup> New Mexico State University Alamogordo Branch Community College. Degrees and Certificates. <http://nmsua.edu/degrees-certificates/>

## Population

Based on information gained from the Bureau of Business & Economic Research, the following table shows the historical and projected population data for the City of Alamogordo, Otero County and the State.

Census Year	City of Alamogordo	Otero County	State of New Mexico
1960	21,723	36,976	951,023
1970	23,035	41,097	1,017,055
1980	24,024	44,665	1,303,143
1990	27,986	51,928	1,515,069
2000	35,582	62,298	1,826,280
2010	30,403	63,797	2,065,826
2016*	31,283	65,410	2,081,015
2018 <sup>(1)</sup>	30,412	65,694	2,081,363
2023 <sup>(1)</sup>	30,355	66,677	2,101,278
Projected Growth 2017-2022 <sup>(2)</sup>	-0.19%	1.50%	0.96%

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

(1) Estimates. Source: Environics Analytics, March 2018.

(2) Projected. Source: Environics Analytics, March 2018.

The following table sets forth a comparative age distribution profile for Otero County, the State and the United States.

Age Group	Otero County	New Mexico	United States
0 - 17	24.10%	23.60%	22.60%
18 - 24	10.06%	9.72%	9.67%
25 - 34	14.38%	13.26%	13.44%
35 - 44	11.49%	11.95%	12.62%
45 - 54	10.45%	11.67%	12.88%
55 and Older	29.52%	29.80%	28.79%

Source: Environics Analytics, March 2018.

## 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 Environics Analytics. 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. During the period shown in the following chart, the median household income level for the County compares favorably with the United States, however, the median household income level for the State has been lower than both.

<b>Effective Buying Income Group</b>	<b>Otero County</b>	<b>New Mexico</b>	<b>United States</b>
Under \$25,000	33.02%	27.27%	20.37%
\$25,000 - \$34,999	10.51%	10.65%	9.21%
\$35,000 - \$49,999	14.22%	13.71%	12.87%
\$50,000 - \$74,999	18.39%	16.84%	17.09%
\$75,000 & Over	23.86%	31.53%	40.46%
<hr/>			
2013 Est. Median Household Income	\$40,023	\$43,273	\$49,297
2014 Est. Median Household Income	\$39,100	\$44,292	\$51,579
2015 Est. Median Household Income	\$42,177	\$45,633	\$53,706
2016 Est. Median Household Income	\$43,522	\$45,445	\$55,551
2017 Est. Median Household Income	\$43,348	\$47,043	\$57,462
2018 Est. Median Household Income	\$41,555	\$48,044	\$60,133

Source: Environics Analytics, March 2018.



## Employment

The following table provides a ten-year history of labor force and unemployment rates for Otero County, the State and the United States.

Year <sup>(1)</sup>	Otero County		State of New Mexico		United States
	Labor Force	% Unemployed	Labor Force	% Unemployed	% Unemployed
2018 <sup>(2)</sup>	25,115	5.50%	934,178	5.80%	4.40%
2017 <sup>(3)</sup>	25,069	5.20%	929,567	6.20%	4.40%
2016	25,230	6.00%	928,732	6.70%	4.90%
2015	24,709	6.20%	919,889	6.60%	5.30%
2014	24,818	6.10%	918,206	6.50%	6.20%
2013	25,526	6.30%	922,960	6.90%	7.40%
2012	25,397	6.40%	928,050	7.10%	8.10%
2011	24,975	6.70%	929,862	7.60%	8.90%
2010	25,160	7.20%	936,088	8.10%	9.60%
2009	25,939	6.70%	940,352	7.50%	9.30%
2008	25,888	4.40%	944,548	4.50%	5.80%

(1) Numbers are annual averages.

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

(3) Data for the month of December 2017.

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

## Average Annual Employment by Sector (Covered Wage & Salary Workers)

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

Otero County					
	2013	2014	2015	2016	2017 <sup>(1)</sup>
<b>Grand Total</b>	<b>17,741</b>	<b>17,348</b>	<b>17,550</b>	<b>17,805</b>	<b>17,008</b>
Total Private	11,581	11,297	11,445	11,627	11,273
Accommodation and Food Services	1,697	1,664	1,686	1,713	1,646
Administrative and Waste Services	1,168	1,167	1,183	1,363	1,088
Agriculture, Forestry, Fishing & Hunting	104	117	118	137	122
Arts, Entertainment, and Recreation	70	63	63	78	62
Construction	998	1,055	1,075	930	965
Educational Services	213	91	32	57	105
Finance and Insurance	403	391	385	381	391
Health Care and Social Assistance	2,267	2,277	2,412	2,606	2,626
Information	247	231	230	220	250
Management of Companies and Enterprises	*	11	9	20	20
Manufacturing	205	177	96	79	73
Mining	*	74	68	61	72
Professional and Technical Services	405	401	375	370	373
Public Administration	863	790	716	527	545
Real Estate and Rental and Leasing	123	124	133	144	137
Retail Trade	2,154	2,128	2,304	2,381	2,265
Transportation and Warehousing	277	271	281	278	284
Utilities	121	121	121	120	125
Wholesale Trade	184	146	159	164	122
Total Government	6,128	6,051	6,375	6,178	5,735
Federal	1,834	1,702	1,732	1,745	1,733
State	691	685	682	665	623
Local	3,603	3,664	3,961	3,768	3,379

(1) Data as of Third Quarter of 2017

\* Withheld to avoid disclosing confidential 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.

## Major Employers

Following is a list of major employers (1,000+ employees) in Otero County.

<b>Employer</b>	<b>Type of Business</b>
Holloman Air Force Base	Defense
White Sands Missile Range	Defense
German Air Force Training Center	Defense
Alamogordo Public Schools	Education
Inn of the Mountain Gods	Resort
Wal-Mart Supercenter	Retail
Gerald Champion Regional Medical Center	Medical
ACS	Direct Line
City of Alamogordo	City Government
NMSU - Alamogordo	Education

Source: Otero County Economic Development <http://www.ocado.com/leading-local-employers/>

**APPENDIX B**

**JUNE 30, 2017 AUDITED FINANCIAL STATEMENTS**



**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOLS**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**JUNE 30, 2017**

## INTRODUCTORY SECTION

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ALAMOGORDO MUNICIPAL SCHOOLS  
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JUNE 30, 2017**

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

<u><b>Name</b></u>		<u><b>Title</b></u>
	<u>Board of Education</u>	
David Weaver		President
Angela Cadwallader		Vice President
Timothy C. Wolfe		Secretary
David Borunda		Member
Carol Teweleit		Member
	<u>Administrative Officials</u>	
Adrienne Salas		Superintendent
Carol Genest	Director of Business and Finance	
Tom Bregler		Comptroller

**FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

The Board of Education  
Alamogordo Municipal School District and  
Timothy Keller  
New Mexico State Auditor  
Alamogordo, New Mexico

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Alamogordo Municipal School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 District's internal control. Accordingly, we express no such opinion.

The Board of Education  
Alamogordo Municipal School District and  
Timothy Keller  
New Mexico State Auditor

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.

## **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 of June 30, 2017, and the respective changes in financial positions thereof and the respective budgetary comparisons for the general fund and the 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*

Management has omitted the *Management Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for the placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basis financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information on pages 50 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the 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.

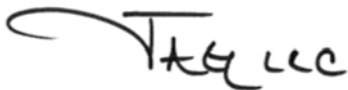
The Board of Education  
Alamogordo Municipal School District and  
Timothy Keller  
New Mexico State Auditor

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.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 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 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 15, 2017

## **BASIC FINANCIAL STATEMENTS**

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

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 9,508,456
Receivables	1,637,771
Inventory and other assets	<u>14,469</u>
<b>Total current assets</b>	<u>11,160,696</u>
<b>Noncurrent assets</b>	
Restricted cash	10,525,939
Capital assets, net	<u>78,532,637</u>
<b>Total noncurrent assets</b>	<u>89,058,576</u>
<b>Total assets</b>	<u>100,219,272</u>
<b>DEFERRED OUTFLOWS</b>	
Pension related	<u>10,054,293</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable and accrued liabilities	1,483,798
Accrued interest	333,672
Accrued compensated absences	237,192
Bonds payable, current	<u>4,075,000</u>
<b>Total current liabilities</b>	<u>6,129,662</u>
<b>Noncurrent Liabilities</b>	
Accrued compensated absences	264,938
Bonds payable	31,500,000
Bond premium, net	610,819
Net pension liability	<u>71,369,910</u>
<b>Total noncurrent liabilities</b>	<u>103,745,667</u>
<b>Total liabilities</b>	<u>109,875,329</u>
<b>DEFERRED INFLOWS</b>	
Pension related	2,764,095
<b>NET POSITION</b>	
Net investment in capital assets	42,346,818
Restricted for	
Debt service	5,023,057
Capital Projects	9,954,757
Special revenue	1,031,938
Unrestricted (deficit)	<u>(60,722,429)</u>
<b>Total net position (deficit)</b>	<u>\$ (2,365,859)</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOLS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	(Expenses) Revenues and Changes in Net Assets
<b>Primary government</b>					
Governmental activities					
Instruction	\$ 29,751,810	\$ -	\$ 7,717,117	\$ -	\$ (22,034,693)
Support services					
Students	5,624,312	144,145	-	-	(5,480,167)
Instruction	4,415,516	-	-	-	(4,415,516)
General administration	2,527,723	-	-	-	(2,527,723)
School administration	2,564,024	-	-	-	(2,564,024)
Other support services	-	-	-	-	-
Central services	2,360,801	-	-	-	(2,360,801)
Operation & maintenance of plant	11,093,731	-	-	738,176	(10,355,555)
Student transportation	1,805,152	-	1,735,625	-	(69,527)
Food services operation	2,730,399	491,607	2,148,427	-	(90,365)
Interest on long-term debt	891,721	-	-	-	(891,721)
<b>Total primary government</b>	<b>\$ 63,765,189</b>	<b>\$ 635,752</b>	<b>\$ 11,601,169</b>	<b>\$ 738,176</b>	<b>(50,790,092)</b>
Property taxes:					
					297,131
					4,920,145
					1,531,879
					38,274,214
					269,036
					<u>45,292,405</u>
					<b>Change in net position (deficit)</b>
					<u>(5,497,687)</u>
					Net position - beginning
					3,304,141
					Restatement
					<u>(172,313)</u>
					Net position - beginning, as restated
					<u>3,131,828</u>
					<b>Net position - ending (deficit)</b>
					<u>\$ (2,365,859)</u>

See Notes to Financial Statements.



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

	Operational Funds		
	11000	13000	14000
	General	Transportation	Instructional Materials
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 3,477,359	\$ 673	\$ 267,198
Accounts receivable			
Taxes	21,549	-	-
Due from other governments	-	-	-
Other	-	-	-
Interfund receivables	1,077,621	-	-
Prepaid expenditures	-	-	-
Inventory	-	-	-
<i>Total assets</i>	<u>\$ 4,576,529</u>	<u>\$ 673</u>	<u>\$ 267,198</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>			
<i>Current Liabilities</i>			
Accounts payable	\$ 137,445	\$ -	\$ -
Accrued payroll liabilities	817,886	673	-
Interfund payables	-	-	-
<i>Total liabilities</i>	<u>955,331</u>	<u>673</u>	<u>-</u>
<b>DEFERRED INFLOWS - PROPERTY TAXES</b>			
Unearned revenue - property taxes	<u>13,640</u>	-	-
<i>Fund balances</i>			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	<u>3,607,558</u>	-	<u>267,198</u>
<i>Total fund balances</i>	<u>3,607,558</u>	-	<u>267,198</u>
<i>Total liabilities, deferred inflows and fund balance</i>	<u>\$ 4,576,529</u>	<u>\$ 673</u>	<u>\$ 267,198</u>

See Notes to Financial Statements.

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

	<b>24101</b>	<b>24106</b>	<b>31100</b>
	Title I	IDEA-B	Bond
	IASA	Entitlement	Building
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and cash equivalents	\$ -	\$ -	\$ 9,080,636
Accounts receivable			
Taxes	-	-	-
Due from other governments	433,842	359,055	-
Other	-	-	-
Interfund receivables	-	-	-
Prepaid expenditures	-	-	-
Inventory	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total assets</i>	<u>\$ 433,842</u>	<u>\$ 359,055</u>	<u>\$ 9,080,636</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>			
<i>Current Liabilities</i>			
Accounts payable	\$ -	\$ 384	\$ 339,224
Accrued payroll liabilities	24,807	35,226	-
Interfund payables	409,035	323,445	-
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total liabilities</i>	<u>433,842</u>	<u>359,055</u>	<u>339,224</u>
<b>DEFERRED INFLOWS - PROPERTY TAXES</b>			
Unearned revenue - property taxes	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Fund balances</i>			
Nonspendable	-	-	-
Restricted	-	-	8,741,412
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>8,741,412</u>
<i>Total liabilities, deferred inflows and fund balance</i>	<u>\$ 433,842</u>	<u>\$ 359,055</u>	<u>\$ 9,080,636</u>

See Notes to Financial Statements.

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

	<u>41000</u>	<u>Other</u>	<u>Total</u>
	<u>Debt</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Service</u>	<u>Funds</u>	<u>Funds</u>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 4,661,200	\$ 2,547,329	\$ 20,034,395
Accounts receivable			
Taxes	324,749	126,606	472,904
Due from other governments	-	371,970	1,164,867
Other	-	-	-
Interfund receivables	-	-	1,077,621
Prepaid expenditures	-	-	-
Inventory	-	14,469	14,469
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total assets</i>	<u>\$ 4,985,949</u>	<u>\$ 3,060,374</u>	<u>\$ 22,764,256</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>			
<i>Current Liabilities</i>			
Accounts payable	\$ -	\$ 49,174	\$ 526,227
Accrued payroll liabilities	-	78,979	957,571
Interfund payables	-	345,141	1,077,621
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total liabilities</i>	<u>-</u>	<u>473,294</u>	<u>2,561,419</u>
<b>DEFERRED INFLOWS - PROPERTY TAXES</b>			
Unearned revenue - property taxes	<u>208,167</u>	<u>82,053</u>	<u>303,860</u>
<i>Fund balances</i>			
Nonspendable	-	14,469	14,469
Restricted	4,777,782	2,490,558	16,009,752
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	3,874,756
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total fund balances</i>	<u>4,777,782</u>	<u>2,505,027</u>	<u>19,898,977</u>
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total liabilities, deferred inflows and fund balance</i>	<u>\$ 4,985,949</u>	<u>\$ 3,060,374</u>	<u>\$ 22,764,256</u>

See Notes to Financial Statements.

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

	Governmental Funds
Amounts reported for governmental activities in the statement of net position are different because:	
Fund balances - total governmental funds	\$ 19,898,977
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	78,532,637
Defined benefit pension plan deferred outflows are not financial resources and, therefore, are not reported in the funds.	10,054,293
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be unearned revenue in the fund financial statements, but are considered revenue in the Statement of Activities	303,860
Accrued Interest	(333,672)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(71,369,910)
Accrued compensated absences	(502,130)
General obligation bonds	(35,575,000)
Bond premiums	(610,819)
Defined benefit pension plan deferred inflows are not due and payable in the current period and, therefore, are not reported in the funds.	(2,764,095)
<b>Net Position (Deficit) - Total Governmental Activities</b>	<b>\$ (2,365,859)</b>

*See Notes to Financial Statements.*

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

	Operational Fund		
	11000	13000	14000
	General	Transportation	Instructional Materials
<i>Revenues</i>			
Property taxes	\$ 295,913	\$ -	\$ -
State grants	38,369,829	1,735,625	408,272
Federal grants	681,311	-	-
Miscellaneous	194,616	-	3,094
Interest	-	-	-
Total revenues	<u>39,541,669</u>	<u>1,735,625</u>	<u>411,366</u>
<i>Expenditures</i>			
<i>Current</i>			
Instruction	25,223,621	-	210,146
Support services			
Students	4,070,463	-	-
Instruction	699,184	-	-
General administration	1,141,483	-	-
School administration	2,293,219	-	-
Central services	2,232,428	-	-
Operation & maintenance of plant	6,091,395	-	-
Student transportation	-	1,735,625	-
Other support services	30,000	-	-
Food services operations	-	-	-
Capital outlay	121,522	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>41,903,315</u>	<u>1,735,625</u>	<u>210,146</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(2,361,646)</u>	<u>-</u>	<u>201,220</u>
<i>Other financing sources (uses)</i>			
Remittal of cash balances to PED	-	-	(226,294)
Bond underwriter premium	-	-	-
Proceeds from bond issues	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(226,294)</u>
<i>Net changes in fund balances</i>	<u>(2,361,646)</u>	<u>-</u>	<u>(25,074)</u>
<i>Fund balances, beginning of year</i>	5,969,204	-	292,272
<i>Restatement</i>	-	-	-
<i>Fund balances, beginning of year as restated</i>	<u>5,969,204</u>	<u>-</u>	<u>292,272</u>
<i>Fund balances, end of year</i>	<u>\$ 3,607,558</u>	<u>\$ -</u>	<u>\$ 267,198</u>

See Notes to Financial Statements.

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

	<b>24101</b> Title I IASA	<b>24106</b> IDEA-B Entitlement	<b>31100</b> Bond Building
<i>Revenues</i>			
Property taxes	\$ -	\$ -	\$ -
State grants	-	-	273,630
Federal grants	1,530,427	1,274,303	-
Miscellaneous	-	-	-
Interest	-	-	3,823
Total revenues	<u>1,530,427</u>	<u>1,274,303</u>	<u>277,453</u>
<i>Expenditures</i>			
<i>Current</i>			
Instruction	758,023	550,195	-
Support services			
Students	121,533	578,335	-
Instruction	425,144	41,561	-
General administration	145,188	55,203	-
School administration	2,299	-	-
Central services	78,240	46,485	-
Operation & maintenance of plant	-	-	-
Student transportation	-	2,524	-
Other support services	-	-	-
Food services operations	-	-	-
Capital outlay	-	-	3,783,262
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>1,530,427</u>	<u>1,274,303</u>	<u>3,783,262</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(3,505,809)</u>
<i>Other financing sources (uses)</i>			
Remittal of cash balances to PED	-	-	-
Bond underwriter premium	-	-	-
Proceeds from bond issues	-	-	3,000,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>3,000,000</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>(505,809)</u>
<i>Fund balances, beginning of year</i>	-	-	9,247,221
<i>Restatement</i>	-	-	-
<i>Fund balances, beginning of year as restated</i>	<u>-</u>	<u>-</u>	<u>9,247,221</u>
<i>Fund balances, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,741,412</u>

See Notes to Financial Statements.

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

	<b>41000</b>	Other	Total
	Debt	Governmental	Governmental
	Service	Funds	Funds
<i>Revenues</i>			
Property taxes	\$ 4,681,423	\$ 1,720,355	\$ 6,697,691
State grants	-	1,050,073	41,837,429
Federal grants	-	4,381,627	7,867,668
Miscellaneous	-	832,128	1,029,838
Interest	1,083	724	5,630
Total revenues	<u>4,682,506</u>	<u>7,984,907</u>	<u>57,438,256</u>
<i>Expenditures</i>			
<i>Current</i>			
Instruction	-	1,112,443	27,854,428
Support services			
Students	-	848,692	5,619,023
Instruction	-	587,890	1,753,779
General administration	46,112	78,723	1,466,709
School administration	-	180,425	2,475,943
Central services	-	3,648	2,360,801
Operation & maintenance of plant	-	69	6,091,464
Student transportation	-	67,003	1,805,152
Other support services	-	-	30,000
Food services operations	-	2,712,469	2,712,469
Capital outlay	-	1,902,001	5,806,785
Debt service			
Principal	3,475,000	365,000	3,840,000
Interest	782,903	28,131	811,034
Total expenditures	<u>4,304,015</u>	<u>7,886,494</u>	<u>62,627,587</u>
<i>Excess (deficiency) of revenues</i>			
<i>over (under) expenditures</i>	<u>378,491</u>	<u>98,413</u>	<u>(5,189,331)</u>
<i>Other financing sources (uses)</i>			
Remittal of cash balances to PED	-	-	(226,294)
Bond underwriter premium	101,732	-	101,732
Proceeds from bond issues	-	-	3,000,000
Total other financing sources (uses)	<u>101,732</u>	<u>-</u>	<u>2,875,438</u>
<i>Net changes in fund balances</i>	<u>480,223</u>	<u>98,413</u>	<u>(2,313,893)</u>
<i>Fund balances, beginning of year</i>	4,297,559	2,578,927	22,385,183
<i>Restatement</i>	-	(172,313)	(172,313)
<i>Fund balances, beginning of year as restated</i>	<u>4,297,559</u>	<u>2,406,614</u>	<u>22,212,870</u>
<i>Fund balances, end of year</i>	<u>\$ 4,777,782</u>	<u>\$ 2,505,027</u>	<u>\$ 19,898,977</u>

See Notes to Financial Statements.

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

	Governmental Funds
Amounts reported for governmental activities in the statement of activities are different because:	
Net changes in fund balances - total governmental funds	\$ (2,313,893)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays for the period.	
Depreciation expense	(3,888,330)
Capital outlays	1,158,022
Revenues that do not provide current financial resources are not reported as revenues in the fund statements but are reporting in the Statement of Activities	
Change in unavailable revenue related to property tax receivable	51,464
Governmental funds report District pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense	
Difference between District pension contributions and pension expense per actuarial report	(998,471)
The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:	
Change in accrued interest payable	(2,089)
Change in accrued compensated absences	(252,050)
Bond proceeds	(3,000,000)
Premium on bond issuance	(101,732)
Amortization of bond premium	23,134
Loss on disposition of assets	(13,742)
Principal payments on bonds	3,840,000
<b>Changes in Net Position - Total Governmental Activities</b>	<b>\$ (5,497,687)</b>

See Notes to Financial Statements.



**STATE OF NEW MEXICO**  
**ALAMOGORDO MUNICIPAL SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**GENERAL FUND (11000)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<b>Revenues</b>				
Property taxes	\$ 289,346	\$ 289,346	\$ 291,066	\$ (1,720)
State grants	38,771,207	38,175,017	38,369,829	(194,812)
Federal grants	847,749	865,183	681,311	(183,872)
Miscellaneous	77,000	77,000	194,616	(117,616)
Interest	-	-	-	-
<b>Total revenues</b>	<u>39,985,302</u>	<u>39,406,546</u>	<u>39,536,822</u>	<u>(498,020)</u>
<b>Expenditures</b>				
Current				
Instruction	25,693,798	25,711,038	25,222,287	488,751
Support services				
Students	4,290,539	4,275,200	4,070,463	204,737
Instruction	747,283	753,483	699,184	54,299
General administration	1,300,517	1,293,223	1,141,762	151,461
School administration	2,518,837	2,419,157	2,293,147	126,010
Central services	2,211,585	2,352,335	2,233,139	119,196
Operation & maintenance of plant	6,581,977	6,656,910	6,047,631	609,279
Student transportation	-	-	-	-
Other support services	52,722	139,684	30,000	109,684
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	104,261	126,207	121,523	4,684
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>43,501,519</u>	<u>43,727,237</u>	<u>41,859,136</u>	<u>1,868,101</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>(2,322,314)</u>	<u>1,370,081</u>
<b>Other financing sources</b>				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	-	-	(2,322,314)	1,370,081
Fund balances - beginning of year	-	-	8,231,632	8,231,632
<b>Fund balances - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,909,318</u>	<u>\$ 9,601,713</u>
<b>Reconciliation to GAAP Basis</b>				
Adjustments to revenues			4,847	
Adjustments to expenditures			(44,179)	
<b>Changes in fund balances</b>			<u>\$ (2,361,646)</u>	

See Notes to Financial Statements.

**STATE OF NEW MEXICO**  
**ALAMOGORDO MUNICIPAL SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**PUPIL TRANSPORTATION FUND (13000)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	1,612,489	1,735,627	1,735,625	2
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<b>Total revenues</b>	<u>1,612,489</u>	<u>1,735,627</u>	<u>1,735,625</u>	<u>2</u>
<b>Expenditures</b>				
Current				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	1,612,489	1,735,627	1,735,625	2
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>1,612,489</u>	<u>1,735,627</u>	<u>1,735,625</u>	<u>2</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other financing sources</b>				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	-	-	-	-
Fund balances - beginning of year	-	-	1,361	1,361
<b>Fund balances - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,361</u>	<u>\$ 1,361</u>
<b>Reconciliation to GAAP Basis</b>				
Adjustments to revenues			-	
Adjustments to expenditures			-	
<b>Changes in fund balances</b>			<u>\$ -</u>	

See Notes to Financial Statements.

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

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	158,898	158,898	408,272	(249,374)
Federal grants	-	-	-	-
Miscellaneous	-	-	3,094	(3,094)
Interest	-	-	-	-
<b>Total revenues</b>	<u>158,898</u>	<u>158,898</u>	<u>411,366</u>	<u>(252,468)</u>
<b>Expenditures</b>				
Current				
Instruction	607,137	383,773	210,146	173,627
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	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>607,137</u>	<u>383,773</u>	<u>210,146</u>	<u>173,627</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(448,239)</u>	<u>(224,875)</u>	<u>201,220</u>	<u>(78,841)</u>
<b>Other financing sources</b>				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(448,239)	(224,875)	201,220	(78,841)
Fund balances - beginning of year	-	-	614,364	614,364
<b>Fund balances - end of year</b>	<u>\$ (448,239)</u>	<u>\$ (224,875)</u>	<u>\$ 815,584</u>	<u>\$ 535,523</u>
<b>Reconciliation to GAAP Basis</b>				
Adjustments to revenues			-	
Adjustments to expenditures			-	
<b>Changes in fund balances</b>			<u>\$ 201,220</u>	

See Notes to Financial Statements.

**STATE OF NEW MEXICO**  
**ALAMOGORDO MUNICIPAL SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**TITLE I IASA (24101)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	1,509,614	1,768,652	1,706,499	(62,153)
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<b>Total revenues</b>	<u>1,509,614</u>	<u>1,768,652</u>	<u>1,706,499</u>	<u>(62,153)</u>
<b>Expenditures</b>				
Current				
Instruction	602,681	830,111	758,023	72,088
Support services				
Students	175,605	179,460	121,533	57,927
Instruction	524,843	503,843	425,144	78,699
General administration	123,809	167,062	145,188	21,874
School administration	5,625	9,125	2,299	6,826
Central services	77,051	79,051	78,240	811
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>1,509,614</u>	<u>1,768,652</u>	<u>1,530,427</u>	<u>238,225</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>176,072</u>	<u>176,072</u>
<b>Other financing sources</b>				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	-	-	176,072	176,072
Fund balances - beginning of year	-	-	(370,365)	(370,365)
<b>Fund balances - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (194,293)</u>	<u>\$ (194,293)</u>
<b>Reconciliation to GAAP Basis</b>				
Adjustments to revenues			(176,072)	
Adjustments to expenditures			-	
<b>Changes in fund balances</b>			<u>\$ -</u>	

See Notes to Financial Statements.

**STATE OF NEW MEXICO**  
**ALAMOGORDO MUNICIPAL SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**IDEA B (24106)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	1,208,013	1,966,902	1,350,835	(616,067)
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<b>Total revenues</b>	<u>1,208,013</u>	<u>1,966,902</u>	<u>1,350,835</u>	<u>(616,067)</u>
<b>Expenditures</b>				
Current				
Instruction	588,746	1,032,324	550,197	482,127
Support services				
Students	475,606	703,050	588,702	114,348
Instruction	41,467	42,568	41,561	1,007
General administration	59,400	86,499	55,203	31,296
School administration	-	-	-	-
Central services	42,794	46,559	46,485	74
Operation & maintenance of plant	-	-	-	-
Student transportation	-	55,902	2,524	53,378
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>1,208,013</u>	<u>1,966,902</u>	<u>1,284,672</u>	<u>682,230</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>66,163</u>	<u>66,163</u>
<b>Other financing sources</b>				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	-	-	66,163	66,163
Fund balances - beginning of year	-	-	(216,316)	(216,316)
<b>Fund balances - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (150,153)</u>	<u>\$ (150,153)</u>
<b>Reconciliation to GAAP Basis</b>				
Adjustments to revenues			(76,530)	
Adjustments to expenditures			<u>10,367</u>	
<b>Changes in fund balances</b>			<u>\$ -</u>	

See Notes to Financial Statements.

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

	Agency Funds
<b>ASSETS</b>	
<i>Current Assets</i>	
Cash	\$ 692,379
<i>Total assets</i>	\$ 692,379
 <b>LIABILITIES</b>	
<i>Current Liabilities</i>	
Deposits held in trust for others	\$ 692,379
<i>Total liabilities</i>	\$ 692,379

*See Notes to Financial Statements.*

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

Alamogordo Municipal School District (District) is a special purpose government corporation governed by an elected five-member Board of Education. The Board of Education is the basic level of government, which has oversight, responsibility and control over the activities related to the public school education of the City of Alamogordo. The District is responsible for all activities related to public elementary and secondary school education with its jurisdiction. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The School Board is authorized to establish policies and regulations for its own government, consistent with the laws of the State of New Mexico and the regulations of the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years. The District operates 16 schools within the District, with a total enrollment of approximately 6,000 pupils. In conjunction with the regular educational programs, some of these schools offer special education. In addition, the School Board provides transportation and school food services for the students.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the District's accounting policies are described below.

**A. Reporting entity**

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units for which the District may be financially accountable and, as such, should be included within the District's financial statements. The District (the primary government) is financially accountable if (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the District. Organizations for which the District is not financially accountable are also included when doing so is necessary in order to prevent the District's financial statements from being misleading. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statements No. 39 and 16. Blended component units, although legally separate entities, are in substance part of the government's operations. Discretely presented Component Units are reported in separate columns in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the District has no component units and is not a component unit of another governmental agency.

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

The government-wide financial statements (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. The District does not have any business-type activities.

*GASB No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and GASB No. 65, Items Previously Reported as Assets and Liabilities, amend GASB No. 34, Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments, to incorporate deferred outflows of resources and deferred inflows of resources in the financial reporting model.*

*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.

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

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



**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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.

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.

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, subject to the availability criterion. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, subject to the availability criterion. 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.

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

The 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.

The District reports the following major governmental funds:

*The General Fund* is the primary operating fund of the District and accounts for all financial resources of the general government, except those required to be accounted for in other funds. Revenues are provided by the District's school tax levy, state equalization and transportation funds, state instructional material allocations, and earnings from investments. Expenditures include all costs associated with the daily operations of the school except for those items included in other funds. The general fund includes the Pupil Transportation Fund, which is used to pay for the costs associated with transporting school-age children. It also includes the Instructional Materials Fund, which is used to account for the monies received from the New Mexico Public Education Department for the purposes of purchasing instructional materials (books, manuals, periodical, etc.) used in the education of students.

*The Title I IASA Fund* is used to account for a program funded by a federal grant to assist the District in providing supplemental education opportunities for academically disadvantaged children in the area in which they reside. Funding is allocated to the District through the New Mexico Public Education Department. Authority for the creation of this fund is Part A, Chapter I, Title I of the Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 102-383.

*The Bond Building Capital Projects Fund* 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 purchase or improving school grounds or any combination thereof, as approved by the voters of the District. Authority for the creation of this fund is the New Mexico Public Education Department.

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 fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

Additionally, the District reports the following agency fund:

*The Fiduciary Funds* account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

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 other State and Federal 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 bond building, SB-9 and special capital outlay 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 does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the statement of activities. Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities.

*Deposits and Investments:* The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less and are held by governments other than external investment pools should be measured at amortized cost as provided in paragraph 9 of GASB No. 72.

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position or equity**

State statutes authorize the District to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Local Government Investment Pool (LGIP). The LGIP operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

*Restricted Assets:* The Debt Service Fund is used to report resources set aside for the payment of long-term debt principal and interest.

*Receivables and Payables:* Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

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. There is no allowance for doubtful account in the current year. The District receives monthly income from a tax levy in Otero 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 amount remitted by the County Treasurer in July and August 2017 is considered "measurable and available" and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2017. Period of availability is deemed to be 60 days subsequent to year end.

Certain Special Revenue funds are administered on a reimbursement method of funding; other funds are operated on a cash advance method of funding. The funds incurred the cost and submitted the necessary request for reimbursement or advance, respectively.

*Instructional Materials:* The New Mexico State Department of Education 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, 70% is restricted to the requisition of material listed in the State Board of Education 'State Adopted Instructional Material' list, while 30% 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:* The District's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed. Inventory is valued at cost and

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**D. Assets, deferred outflows or resources, liabilities, deferred inflows of resources, and net position or equity (Continued)**

consist of USDA commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as an expenditure at the time individual inventory items are consumed.

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

*Capital Assets:* Capital assets, which include property, plant, and equipment, are reported in the 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. Donated capital assets received prior to June 15, 2016 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2016 are recorded at acquisition value. Information Technology Equipment, including software, is being capitalized and included in furniture, fixtures, and equipment in accordance with NMAC 2.20.1.9 C (5). The District was a Phase II government for purposes of implementing GASB Statement No. 34. However, the District does not have any infrastructure assets to report.

The cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Library books are not capitalized because they are considered to have a useful life of less than one year.

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. However, infrastructure assets have not been included in the June 30, 2017 financial statements of the District since 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 expenses 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. Construction projects paid for by the Public School Capital Outlay Council are included in the District's capital assets.

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.

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**D. Assets, deferred outflows or resources, liabilities, deferred inflows of resources, and net position or equity (Continued)**

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

Land Improvements	20-50 years
Buildings and improvements	20-50 years
Furniture, fixtures, & equipment	5-10 years

*Deferred Outflows of Resources:* In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The District has pension-related deferred outflows of resources items that qualify for reporting in this category.

*Deferred Inflows of Resources:* In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The District has two types of items which arise under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue-property taxes is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the District has pension-related deferred inflows of resources items that qualify for reporting in this category.

*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. Amounts receivable from the property taxes levied for the current year that are not considered to be "available" under the current financial resources measurement focus are reported as unearned revenues in the governmental fund financial statements.

*Compensated Absences:* It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Twelve-month employees may accumulate up to 20 days of vacation leave; any leave beyond these limits must be used by June 30 of the current contract year unless carryover approval is obtained from the Superintendent. Qualified employees are entitled to accumulate sick leave. There is no limit to the amount of sick leave which an employee may accumulate; however, upon termination, sick leave is not paid out to the employee. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they are matured, for example, as a result of employee resignations and retirements. In the past, the liability has been paid from the general fund.

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**D. Assets, deferred outflows or resources, liabilities, deferred inflows of resources, and net position or equity  
(Continued)**

*Accrued Payroll:* In the fund financial statements, governmental fund types recognize the accrual of unpaid wages and benefits that employees have earned at the close of each fiscal year. The amount recognized in the fund financial statements represents checks that were held at year end in relation to employees' summer payroll.

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual net of debt proceeds received, are reported as debt service expenditures.

**Fund Balance:** In the governmental fund 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.

*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.

STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

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

**D. Assets, deferred outflows or resources, liabilities, deferred inflows of resources, and net position or equity (Continued)**

For the classification of fund balances, the District considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also, for the classification of fund balances, the District considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

*Minimum Fund Balance Policy:* The District's policy for maintaining a minimum amount of fund balance for operations is to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. At a minimum, the budget shall ensure that the District holds cash reserves of 5% of the general fund cash balance.

**Net Position:** Equity is classified as net position and displayed in three components:

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 "special revenue, debt service, and capital projects."

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

*Estimates:* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates for the District are management's estimate of depreciation on assets over their estimated useful lives, net pension liability calculations, and the current portion of accrued compensated absences.



**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**D. Assets, deferred outflows or resources, liabilities, deferred inflows of resources, and net position or equity  
(Continued)**

*Pensions:* For the purpose 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 Educational Retirement Board (ERB), and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by the ERB; on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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 (Article 8, Section 22-8-25, NMSA 1978) is at least equal to the school district's program costs."

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

*Tax Revenues:* The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1 of each year and are payable in two equal installments: on November 10 of the year in which the tax bill is prepared and April 10 of the following year with the levies becoming delinquent 30 days (one month) thereafter. The District recognizes tax revenues in the period for which they are levied. The District records only the portion of the taxes considered to be 'measurable' and 'available'. The District recognized \$303,860 in tax revenues in the government-wide financial statements due the year ended June 30, 2017. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

Tax notices are sent to property owners by November 1 of each year to be paid in whole or in two installments by November 10 and April 10 of each year. Otero 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.

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

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Revenues (Continued)**

*Instructional Materials:* The New Mexico Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, 70% is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while 30% of each allocation is available for purchases directly from vendors.

*SB-9 State Match:* The Director shall distribute to any school district that has imposed a tax under the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of Section 22-25-3 NMSA 1978, assuming a 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. 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.

*Public School Capital Outlay:* The public school capital outlay fund was created under the provisions of Chapter 22, Article 24, NMSA 1978. The money in the fund may be used for: capital expenditures deemed by the public school capital outlay council to be necessary for an adequate educational program per Section 22-24-4(B); core administrative functions of the public school facilities authority and for project management expenses upon approval of the council per Section 22-24-2(G); and for the purpose of demolishing abandoned school district facilities, upon application by a school district to the council, per Section 22-24-4(L).

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.

*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 New Mexico Public Education Department). The various budgets are approved by the local School Board and the New Mexico Public Education Department.

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

**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 and reconciled to the modified accrual GAAP financial statements. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is, therefore, presented as restricted fund balance.

Actual expenditures may not exceed the budget at the function (or "series") level. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'series,' this may be accomplished with only local Board of Education approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from Public School Finance Division.

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

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

1. In April or May, the local school board submits to the District Budget Planning Unit (DBPU) of the New Mexico Public Education Department (PED) a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets are submitted to the 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.
4. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the DBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system. 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.

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.

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

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

**Budgetary Information (Continued)**

5. 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.
6. Legal budget control for expenditures is by function.
7. Appropriations lapse at fiscal year-end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget schedules included in the accompanying financial statements reflect the approved budget and the final budget.
8. 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.

Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a cash basis and are reconciled on a GAAP basis. Encumbrances are treated the same way for GAAP purposes and for budget purposes.

The School Board may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico Administrative Code 6.20.2.9 prohibits the District from exceeding budgetary control at the function level.

The District is required to balance its budgets each year. Accordingly, amounts that are in excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

The reconciliation between the non-GAAP budgetary basis amounts and the financial statements on the GAAP basis for each governmental fund are included in each individual budgetary comparison.

The accompanying statements of revenues, expenditures and changes in fund balance – budget and actual present comparisons of the legally adopted budget with actual data on a budgetary basis and reconciled to the GAAP basis.

**NOTE 3. DEPOSITS AND INVESTMENTS - CASH AND TEMPORARY INVESTMENTS**

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

Deposits of funds may be made in interest or noninterest-bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

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

**NOTE 3. DEPOSITS AND INVESTMENTS - CASH AND TEMPORARY INVESTMENTS (CONTINUED)**

The rate of interest in nondemand 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 asking 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.

Beginning January 1, 2013, all of the District's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000 for all deposit accounts out of state, and up to \$250,000 for all time and saving accounts, plus up to \$250,000 for all demand deposit accounts held at a single institution in state.

*Custodial Credit Risk – Deposits:* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

At June 30, 2017, \$21,602,381 of the District's bank balances of \$22,352,381 were exposed to custodial credit risk. \$13,886,049 was uninsured and collateralized by collateral held by the pledging bank's trust department not in the District's name, and \$7,716,332 was uninsured and uncollateralized.

	First American Bank	First National Bank	Wells Fargo Bank	Total
Deposits				
Checking	\$ 15,190,410	\$ 3,552,524	\$ 3,609,447	\$ 22,352,381
FDIC coverage	(250,000)	(250,000)	(250,000)	(750,000)
<b>Total uninsured public funds</b>	<u>14,940,410</u>	<u>3,302,524</u>	<u>3,359,447</u>	<u>21,602,381</u>
Collateral requirement (50% of uninsured public funds)	7,470,205	1,651,262	1,679,724	10,801,191
Pledged collateral held by pledging bank's trust department or agent but not in agency's name	<u>8,611,627</u>	<u>3,336,552</u>	<u>1,937,870</u>	<u>13,886,049</u>
<b>Total (under) over collateralized</b>	<u>\$ 1,141,422</u>	<u>\$ 1,685,290</u>	<u>\$ 258,147</u>	<u>\$ 3,084,859</u>
<b>Uninsured and uncollateralized</b>	<u>\$ 6,328,783</u>	<u>\$ -</u>	<u>\$ 1,421,577</u>	<u>\$ 7,716,332</u>

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3. DEPOSITS AND INVESTMENTS - CASH AND TEMPORARY INVESTMENTS (CONTINUED)**

The collateral pledged is listed on the Schedule of Pledged Collateral by Depository for Public Funds. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

The District utilizes internal pooled accounts for certain programs and funds. Negative cash balances arise primarily from cost-reimbursement grants. Negative cash balances in individual funds that were part of the pooled accounts were reclassified as due to/from accounts in the combining balance sheet as of June 30, 2017. Funds 24101 through 25254 are federal funds and 27107 through 27190 are nonfederal funds.

The following table presents the cash balances of negative cash funds before and after the reclassification of pooled cash from the General Fund (Fund 11000) as of June 30, 2017:

Fund	Funds with negative cash balances	Pooled cash reclassified from Fund 11000	Ending balance as reported
Fund 24101	\$ (409,035)	\$ 409,035	\$ -
Fund 24106	(323,445)	323,445	-
Fund 24109	(12,307)	12,307	-
Fund 24112	(14,585)	14,585	-
Fund 24118	(1,389)	1,389	-
Fund 24124	(29,690)	29,690	-
Fund 24132	(663)	663	-
Fund 24154	(54,294)	54,294	-
Fund 24174	(3,862)	3,862	-
Fund 24176	(3,111)	3,111	-
Fund 24184	(536)	536	-
Fund 25254	(149,025)	149,025	-
Fund 27107	(3,268)	3,268	-
Fund 27114	(52,060)	52,060	-
Fund 27166	(20,351)	20,351	-
	<u>\$ (1,077,621)</u>	<u>\$ 1,077,621</u>	<u>\$ -</u>

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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments**

As of June 30, 2017, the District did not have any investments balances.

Reconciliation to the Statement of Net Position

The carrying amount of deposits and investments shown above are included in the District's financial statements is as follows:

Government Funds - Balance Sheet		
Cash and cash equivalents	\$	20,034,395
Statement of Fiduciary Assets and Liabilities - Agency Funds		
Cash and cash equivalents and investments		692,379
Total cash and cash equivalents		20,726,774
Add: outstanding checks and other reconciling items		2,583,538
Less: held checks		(957,571)
Less: petty cash		(360)
<b>Bank balance of deposits</b>	<b>\$</b>	<b>22,352,381</b>

**NOTE 4. RECEIVABLES**

Receivables as of June 30, 2017 are as follows:

	Operational Fund	Title I	IDEA-B	
Property taxes	\$ 21,549	\$ -	\$ -	
Intergovernmental	-	433,842	359,055	
Other	-	-	-	
	\$ 21,549	\$ 433,842	\$ 359,055	

	Capital Improvements (SB-9) Local	Debt Service	Other Governmental	Total
Property taxes	\$ 106,428	\$ 324,749	\$ 20,178	\$ 472,904
Intergovernmental	-	-	371,970	1,164,867
Other	-	-	-	-
	\$ 106,428	\$ 324,749	\$ 392,148	\$ 1,637,771

**STATE OF NEW MEXICO  
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**NOTE 4. RECEIVABLES (CONTINUED)**

In accordance with GASB Statement No. 33, property tax revenues in the amount of \$303,860 that were not collected within the period of availability have been reclassified as deferred inflows of resources in the governmental fund financial statements. All of the above receivables are deemed to be fully collectible.

**NOTE 5. INTERFUND RECEIVABLES AND PAYABLES**

The District records temporary interfund receivables and payables to enable the funds to operate until grant monies are received. The composition of interfund balances as of June 30, 2017 is as follows:

	Receivables	Payables
Major Funds		
General Fund	\$ 1,077,621	\$ -
Title I	-	409,035
Entitlement IDEA-B	-	323,445
Nonmajor Funds		
Special Revenue Funds	-	345,141
	\$ 1,077,621	\$ 1,077,621

All interfund balances are intended to be repaid within one year.

There were no net operating transfers, made to close out funds and to supplement other funding sources for the year ended June 30, 2017.



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**NOTE 6. CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2017 follows.

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital Assets not being depreciated:				
Land	\$ 3,826,619	\$ -	\$ -	\$ 3,826,619
Construction in process	<u>79,196</u>	<u>727,116</u>	<u>-</u>	<u>806,312</u>
Total capital assets not being depreciated	<u>3,905,815</u>	<u>727,116</u>	<u>-</u>	<u>4,632,931</u>
Capital Assets being depreciated:				
Land improvements	3,945,980	17,521	-	3,963,501
Buildings and building improvements	141,428,320	82,056	(36,325)	141,474,051
Furniture, fixtures, vehicles and equipment	<u>7,744,196</u>	<u>331,329</u>	<u>(119,000)</u>	<u>7,956,525</u>
Total capital assets being depreciated	<u>153,118,496</u>	<u>430,906</u>	<u>(155,325)</u>	<u>153,394,077</u>
Accumulated depreciation:				
Land improvements	(701,959)	(171,479)	-	(873,438)
Buildings and building improvements	(69,134,100)	(3,377,341)	22,581	(72,488,860)
Furniture, fixtures, vehicles, and equipment	<u>(5,911,565)</u>	<u>(339,510)</u>	<u>119,002</u>	<u>(6,132,073)</u>
Total accumulated depreciation	<u>(75,747,624)</u>	<u>(3,888,330)</u>	<u>141,583</u>	<u>(79,494,371)</u>
Net capital assets being depreciated	<u>77,370,872</u>	<u>(3,457,424)</u>	<u>(13,742)</u>	<u>73,899,706</u>
Government activities capital assets, net	<u>\$81,276,687</u>	<u>\$ (2,730,308)</u>	<u>\$ (13,742)</u>	<u>\$78,532,637</u>

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

Depreciation expenses	
Instruction	\$ 710,009
Support services - Students	5,289
Support services - Instruction	2,661,737
Support services - General administration	51,780
Support services - School administration	88,081
Operation & maintenance of plant	353,504
Food Services	<u>17,930</u>
	<u>\$3,888,330</u>

**STATE OF NEW MEXICO  
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**NOTE 7. LONG-TERM DEBT**

General obligation bonds are secured by and payable solely from the Debt Service Fund and the Ed Tech Debt Service Fund. General obligation bonds are direct obligations, and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2017 are for governmental activities.

Bonds outstanding at June 30, 2017 are comprised of the following:

Bond Series	Date of Issue	Date of maturity	Balance at June 30, 2017
Ed Tech Bond Series 2014A	10/21/2014	8/1/2019	\$ 805,000
Series 2009 GO School Bonds	4/21/2009	8/1/2020	2,300,000
Series 2011 GO School Bonds	12/14/2010	8/1/2021	6,500,000
Series 2012 GO School Bonds	5/16/2012	8/1/2024	5,075,000
Series 2013 GO School Bonds	3/26/2013	8/1/2025	3,750,000
Series 2015 GO School Bonds	3/24/2015	8/1/2025	4,745,000
Series 2014 GO School Bonds	3/25/2014	8/1/2026	4,400,000
Series 2016 GO School Bonds	6/22/2016	8/1/2029	5,000,000
Series 2017 GO School Bonds	4/19/2017	8/1/2030	3,000,000
			<b><u>\$ 35,575,000</u></b>

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	\$ 36,415,000	\$ 3,000,000	\$ (3,840,000)	<b>\$35,575,000</b>	\$ 4,075,000
Compensated absences	250,080	489,242	(237,192)	<b>502,130</b>	237,192
<b>Total</b>	<b><u>\$ 36,665,080</u></b>	<b><u>\$ 3,489,242</u></b>	<b><u>\$ (4,077,192)</u></b>	<b><u>\$36,077,130</u></b>	<b><u>\$ 4,312,192</u></b>

**Compensated Absences.** Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. At June 30, 2017, compensated absences increased \$252,050 from the prior year accrual. The increase is due primarily to the District's fiscal year 2017 revision to the sick leave policy for those with a minimum of five years of service. The revision allows for an employee to receive a payout of their sick leave bank up to a maximum of 30 days at \$50 per day upon termination. At June 30, 2017, the amount accrued under this policy was \$213,000.

In prior years, the General Fund was typically used to liquidate such long-term liabilities. See Note 1 for more details.

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 7. LONG-TERM DEBT (CONTINUED)**

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

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2018	\$ 4,075,000	\$ 822,047	\$ 4,897,047
2019	4,175,000	730,983	4,905,983
2020	4,120,000	611,283	4,731,283
2021	3,850,000	494,770	4,344,770
2022	3,050,000	401,958	3,451,958
2023-2027	13,730,000	1,080,301	14,810,301
2028-2031	2,575,000	122,250	2,697,250
	<u>\$ 35,575,000</u>	<u>\$ 4,263,590</u>	<u>\$ 39,838,590</u>

**NOTE 8. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error omissions; and natural disasters, for which the District is a member of the New Mexico Public 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 \$15,000 deductible per occurrence with a maximum annual deductible of \$60,000. General liability coverage is afforded to all employees, volunteers, and school board members, and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$250,000 per occurrence for Faithful Performance. A limit of \$250,000 applies to Depositor's Forgery, Credit Card Forgery, and Money Orders. A limit of \$100,000 applies to Money and Securities, which include a \$750 deductible.

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

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**NOTE 9. 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).

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.

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

- The member's age and earned service credit add up to the sum of 75 or more,
- The member is at least sixty-five years of age and has five or more years of earned service credit, or
- The member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on, or after, July 1, 2010 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes re-employed after July 1, 2010 is as follows:

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

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**NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

- The member is at least sixty-seven years of age and has five or more years of earned service credit, or
- The member has service credit totaling 30 years or more.

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

- The member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.
- The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits
- The member's age is 67, and has earned 5 or more years of service credit.

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

**Benefit Options.** The Plan has three benefit options available:

- **Option A – Straight Life Benefit.** The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.
- **Option B – Joint 100% Survivor Benefit.** The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.
- **Option C – Joint 50% Survivor Benefit.** The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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**NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

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

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

- Tier 1 membership is comprised of employees who became members prior to July 1, 2010
- Tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013
- Tier 3 membership is comprised of employees who became members on or after July 1, 2013

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

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

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

**Contributions.** 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 \$4,031,669 for the year ended June 30, 2017 which equals the required contribution.

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2017, the District reported a liability of \$71,369,910 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 0.99174%, which was a decrease of 0.01842 from its proportion measured at June 30, 2015. For the year ended June 30, 2017, the District recognized pension expense of \$4,953,250.

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	\$ 309,629	\$ 678,818
Net difference between projected and actual earnings on pension plan investments	4,260,190	-
Changes in assumptions	1,452,805	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	2,085,277
District contributions subsequent to the measurement date	4,031,669	-
<b>Total</b>	<b>\$ 10,054,293</b>	<b>\$ 2,764,095</b>

The District reported \$4,031,669 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 June 30,	
2018	\$ (342,370)
2019	785,770
2020	1,776,240
2021	1,038,889
2022	-
<b>Total</b>	<b>\$ 3,258,529</b>

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
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JUNE 30, 2017**

**NOTE 9. 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 imbalances, capital flows, etc.) developed for each major asset class.
Average of expected remaining service lives	3.77 years.
Mortality	<p><b>Healthy males:</b> Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB.</p> <p><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.</p> <p><b>Disabled males:</b> RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p><b>Disabled females:</b> RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p><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 preretirement mortality.</p>
Retirement age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-living increases	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 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.



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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

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%	
	100%	7.75%

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

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 employer name’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.

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JUNE 30, 2017**

**NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

	1 % Decrease 6.75%	Current Discount Rate 7.75%	1 % Increase 8.75%
District's proportionate share of the net pension liability	\$ 94,527,789	\$ 71,369,910	\$ 52,155,413

**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).

**Payables to the Pension Plan.** The District remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2017, there were no contributions due and payable for the District.

**NOTE 10. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTHCARE 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 healthcare insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the RHCA 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

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 10. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTHCARE PLAN (CONTINUED)**

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 chose 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 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, 2017, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017 and 2016, 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 RHCA.

The District's contribution to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$580,649, \$566,583, and \$574,428, respectively, which equal the required contributions for each year.

**NOTE 11. CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amount, if any, to be immaterial.

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

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 12. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

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

- A. Deficit fund balance of individual funds: The District did not have any funds with deficit fund balances.
- B. Excess of expenditures over appropriations: The District did not have funds with excess expenditures over appropriations.
- C. Designated cash appropriations in excess of available balances: The District did not have any funds with designated cash appropriations in excess of available balances for the year ended June 30, 2017.

**NOTE 13. CONCENTRATIONS**

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

**NOTE 14. COMMITMENTS**

The District had multiple construction projects ongoing as of the year ended June 30, 2017 that are to continue into the following fiscal year. At June 30, 2017, the District maintains a portion of contracts outstanding for capital projects.

**NOTE 15. NEW ACCOUNTING PRONOUNCEMENT EFFECTIVE FOR THE YEAR ENDED JUNE 30, 2018**

The Governmental Accounting Standards Board (GASB) has 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 10), 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 16. TAX ABATEMENTS**

**Abatements of Other Governments.** The District is subject to tax abatements granted by Otero County 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.

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

**NOTE 16. TAX ABATEMENTS (CONTINUED)**

**Industrial Revenue Bonds.** Under the Industrial Revenue Bond Act [3-32 NMSA 1978], the County Commission 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 County 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:

<b>Agency number for Agency making the disclosure (Abating Agency)</b>	15015
<b>Abating Agency Name</b>	OTERO COUNTY
<b>Abating Agency Type</b>	COUNTY GOVERNMENT
<b>Tax Abatement Agreement Name</b>	RESOLUTION 04-14-15 103-41, COUNTY ORDINANCE 15-01
<b>Name of agency affected by abatement agreement (Affected Agency)</b>	SCHOOL DISTRICT- CAP IMPROVEMENT, EDUCATIONAL TECH DEPT, DEBT SERVICE, OPERATIONAL
<b>Agency number of Affected Agency</b>	7001
<b>Agency type of Affected Agency</b>	SCHOOL DISTRICTS
<b>Recipient(s) of tax abatement</b>	BURRELL RESOURCES GROUP, LLC
<b>Tax abatement program (name and brief description)</b>	OTERO COUNTY, NEW MEXICO INDUSTRIAL REVENUE BURRELL RESOURCES GROUP, LLC
<b>Specific Tax(es) Being Abated</b>	PROPERTY TAXES
<b>Authority under which abated tax would have been paid to Affected Agency</b>	N/A
<b>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</b>	\$36.86
<b>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</b>	\$0
<b>If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission</b>	N/A

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 17. PRIOR PERIOD RESTATEMENT**

Certain errors were noted in the June 30, 2016 financial statements and corrected in the June 30, 2017 financial statements, as more fully described in the table below:

Fund	Amount	Description
21000	\$(439,880)	Overstatement of revenues in 2016 financial statements
25145	\$(48,507)	Overstatement of revenues in 2016 financial statements
25153	\$32,127	Overstatement of expenses in 2016 financial statements
25153	\$70,311	Understatement of revenues in 2016 financial statements
25179	\$(13,630)	Overstatement of revenues in 2016 financial statements
27166	\$13,269	Understatement of revenues in 2016 financial statements
27183	\$46	Understatement of revenues in 2016 financial statements
27188	\$208,841	Understatement of revenues in 2016 financial statements
27190	\$5,113	Understatement of revenues in 2016 financial statements
	<u>\$(172,312)</u>	Total restatement of fund balance in governmental funds and restatement of net position in the government-wide financial statements at July 1, 2016

**REQUIRED SUPPLEMENTARY  
INFORMATION (UNAUDITED)**

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

Fiscal Year Measurement Date	<b>2017</b> <b>2016</b>	2016 2015	2015 2014
District's proportion of the net pension liability	<b>0.99%</b>	1.01%	1.02%
District's proportionate share of the net pension liability	<b>\$ 71,369,910</b>	\$ 65,430,753	\$ 58,224,692
District's covered employee payroll	<b>\$ 28,965,045</b>	\$ 27,580,604	\$ 28,127,555
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	<b>246%</b>	237%	207%
Plan fiduciary net position as a percentage of total pension liability	<b>61.58%</b>	63.97%	66.54%

\* The amounts presented were determined as of June 30. The 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 which information is available.

*See Notes to Required Supplementary Information.*



**STATE OF NEW MEXICO**  
**ALAMOGORDO 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>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contributions	\$ 4,031,669	\$ 3,936,409	\$ 3,991,823
Contributions in relation to contractually required contributions	<u>4,031,669</u>	<u>3,936,409</u>	<u>3,991,823</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 28,965,045	\$ 27,580,604	\$ 28,127,555
Contributions as a percentage of covered employee payroll	<b>13.92%</b>	14.27%	14.47%

\* The amounts presented were determined as of June 30. The 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 which information is available.

*See Notes to Required Supplementary Information.*

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

**Change 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  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS  
JUNE 30, 2017**

**SPECIAL REVENUE FUNDS**

**ALL FEDERAL FUNDS** - The Special Revenue Funds are used to account for grant funds received from the U.S. Department of Education through the New Mexico Public Education Department. These grants are to be used for purposes specified in the grant awards and may not be used for any other purpose. Grants accounted for in the Special Revenue Funds include:0

**Food Services (21000)** – This fund is used to account for all financial transactions related to the food service operation. Authority for the creation of this fund is the National School Lunch Act, as amended, 42 U.S.C. 1751, 1760, 1779.

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

**Entitlement IDEA-B (24106)** – This fund is used to account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by Individuals with Disabilities 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.

**Preschool IDEA-B (24109)** – The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from ages three to five. Federal revenues accounted for in this fund are allocated to the Schools through the New Mexico Department of Children, Youth and Families. Authority for the creation of this fund is the Individuals with Disabilities Education Act (IDEA), Part B, Section 619, as amended, 20 U.S.C. 1419.

**Education of Homeless (24113)** – This fund is used to provide tutoring and remedial academic services to homeless children and youth within the District. Funding is by the New Mexico Public Education Department.

**IDEA-B Private School Share (24115)** – Under 34 CFR SS 300.132-300.133, an LEA must spend a proportionate amount of their IDEA-B Basic Entitlement and, if applicable, Preschool sub-grant funds for special education and related services (“equitable participation services”) to students with disabilities who are parentally placed in private elementary and secondary schools (“equitable participation services”) located in the school district served by the LEA. The private schools must be nonprofit institutions. Children aged three through five are considered to be parentally-placed private school children with disabilities, only if they are enrolled in a private school that meets the definition of elementary school in 34 CFF SS 300.13. New Mexico State law defines an elementary school as “a public school providing instruction for grades kindergarten through eight, unless there is a junior high school program approved by the state board [department], in which case it means a public school providing instruction for grades kindergarten through six” 22-1-3(A) NMSA 1978.

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS  
JUNE 30, 2017**

**SPECIAL REVENUE FUNDS (CONTINUED)**

**Fresh Fruits & Vegetables (24118)** – This fund is used to assist States, through cash grants, in providing free fresh fruits and vegetables to school children in designated participating schools beginning in school year 2004/2006. Authorized by National School Lunch Act, as amended, 42 U.S.C. 1769.

**IDEA-B “Rick Pool” (24120)** – Reallocation by PED based upon available amounts from Fund 24106 Entitlement IDEA-B. This fund accounts for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by Individuals with Disabilities Act, Part B, Section 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U.S.C. 1411-1420.

**Title I 1003g Grant (24124)** – The objective of this grant is to provide in conjunction with Title I funds for school improvement reserved under Section 1003(a) of the ESEA. School Improvement Grants under Section 1003(g) of the ESEA are used to improve student achievement in Title I schools identified for improvement, corrective action, or restructuring so as to enable those schools to make adequate yearly progress (AYP) and exit improvement status. Funding is by the Elementary and Secondary Education Act of 1965, as amended, Title I, Part B, Subpart I.

**IDEA-B Results Plan (24132)** – Funding for support activities included the Education Plan for Student Success for Elementary Schools.

**Teacher/Principal Training & Recruiting (24154)** – To improve the skills of teachers and the quality of instruction in mathematics and science, and also to increase the accessibility of such instruction to all students. Authority for creation of this fund is the Rehabilitation Act of 1973, as amended, Title III, Section 303(b)-(d). 20 U.S.C. 777a and 797a.

**Title I School Improvement (24162)** – This fund is used to improve student achievement in Title I Schools with a status of Priority or Focus. Authority for the creation of this fund is Title 34, Code of Federal Regulations (CFR), Parts 74-86 and 97-99.

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

**Teen Dating Violence Awareness Program (24184)** – The objective of this grant is to provide support for expectant parenting teens, women, fathers, and their families for the State of New Mexico. This fund enables Alamogordo Public Schools to carry out its Teen Dating Violence Prevention and Campaign Awareness program. Authorized by U.S. Department of Health and Human Services (ISP1AH000021-02-00).

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS  
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**SPECIAL REVENUE FUNDS (CONTINUED)**

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

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

**Title XIX Medicaid (25153)** – This fund is used to account for a program providing school-based screening, diagnostic services, and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children. Authority for the creation of this fund is the Social Security Act, Title XIX, as amended; Public Laws 89-97, 90-248, and 91-56; 42 U.S.C. 1396 et set., as amended

**Alamo DOD (25179)** - To provide assistance to schools with significant numbers of military dependent students. Required by the New Mexico Public Education Department Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund. Funding authorized by Public Law 111-84.

**DOD Education Activity (25254)** – To provide *Power Up* – 21<sup>st</sup> Century technology skills for Grades 5, 6, and 9, Mathematics and Reading Achievement for Grades 5, 6, and 9, and easing the challenges of military students for all grades. Required by the New Mexico Public Education Department Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund. Funding authorized by Section 574(d) of Public Law 109-364, as amended.

**Dual Credit Instructional Materials (27103)** – SB943 (2007) and SB31 (2008) create a dual credit program that allows public high school students in school districts, charter schools, and state-supported schools in the state to earn both high school and college credit for qualifying dual credit courses. Authority for the creation of this fund is the New Mexico Public Education Department.

**2012 G.O. Bond Student Library Fund (27107)** – This award allows schools to acquire library books, equipment, and library sources for public school library resources for public school libraries statewide. The funding was made available through Senate Bill 66, Laws of 2012, 2<sup>nd</sup> Session, 2012 Senate and House Bill.

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NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS  
JUNE 30, 2017**

**SPECIAL REVENUE FUNDS (CONTINUED)**

**New Mexico Reads to Lead (27114)** – This fund is used to purchase core reading program materials for grades K-5 in alignment with Common Core State Standards. Authority for the creation of this fund is the New Mexico Public Education Department.

**Breakfast for Elementary Students (27155)** – To account for Legislative Appropriation to implement Breakfast in the Classroom for elementary schools in need of improvement based on AYP designation. Authority for the creation of this fund is the New Mexico Public Education Department.

**Kindergarten – Three Plus (27166)** – Funds allow for an extended school year for Kindergarten through third grade students. The program focuses on acclimating young students to the structure of a classroom environment and spending additional time to prepare them for the next grade. Authority for the creation of this fund is the New Mexico Public Education Department.

**2010 GOB Instructional Materials (27171)** – Used to purchase books and instructional materials for schools which received a letter grade of “A” or those which are recognized as a “Top Growth” school. Authority for the creation of this fund is the New Mexico Public Education Department.

**Workforce Readiness (27179)** – This fund is used to help students discover the wide range of career options available to them, chart the most efficient path for students to achieve those goals, and work directly with business and industry partners to ensure that their experience results in the most necessary skills, credentials, and technical knowledge to be successful in the students’ next step as they enter postsecondary or workforce engagement. House Bill 2 of the regular 2013 Legislative Session provides funding for this fund.

**NM Grown FFV (27183)** – Funds under this award are to be used to purchase locally grown New Mexico fresh fruits and vegetables, to be made available at no charge to students. 2013 HB2 Special Appropriation, Section 5.

**Next Generation Assessments (27185)** – This is used to remediate deficiencies in computer devices compliant with the Partnership for Assessment of Readiness for College and Careers (PARCC) assessment requirements. Districts must complete three requirements: Technology Readiness Tool, School Speed Test, and Project 24 Self-Assessment. Authority for the creation of this fund is the New Mexico Public Education Department.

**Pay for Performance – Individual (27188)** – The New Mexico Pay for Performance Pilot (PPP) establishes group and individual-based incentive programs designed to recognize and reward New Mexico’s high performing teachers and principals. By using local expertise and negotiating with local partners, PPP grantees will create innovative systems primarily to reward teachers and principals for their excellence.

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS  
JUNE 30, 2017**

**SPECIAL REVENUE FUNDS (CONTINUED)**

**Pay for Performance - Group (27190)** – The New Mexico Pay for Performance Pilot (PPP) establishes group and individual-based incentive programs designed to recognize and reward New Mexico’s high performing teachers and principals. By using local expertise and negotiating with local partners, PPP grantees will create innovative systems primarily to reward teachers and principals for their excellence. Authority for creating this fund are the Laws of 2014.

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

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

**Private Direct Grants (Categorical) (29102)** – To account for local grants awarded to provide additional funding for specific projects. Authority for the creation of this fund is the New Mexico Public Education Department.

**CAPITAL PROJECTS FUNDS**

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:

**Capital Improvements SB-9 State (31700)** – To account for resources received through Senate Bill 9 and local tax levies obtained for the purpose of building, remodeling, and equipping classroom facilities. Authority for the creation of this fund is the New Mexico Public Education Department.

**SB-9 Local (31701)** - 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).

**Energy Efficiency Act (31800)** – To account for school projects designed to increase the efficiency of the District’s buildings. The legislation allows the District to incur long-term contracts to complete these projects. Savings from the modifications made are used to fund the projects. This was approved by the Public Building Energy Efficiency Act (6-21-1 to 6-23-10, NMSA 1978).

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



**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS  
JUNE 30, 2017**

**DEBT SERVICE FUNDS**

**Debt Service Fund (41000)** – These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

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

	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>TOTAL</u>
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 1,102,026	\$ 1,206,378	\$ 238,925	\$ 2,547,329
Accounts receivable				
Taxes	-	106,428	20,178	126,606
Due from other governments	371,970	-	-	371,970
Other	-	-	-	-
Interfund receivables	-	-	-	-
Prepaid expenditures	-	-	-	-
Inventory	14,469	-	-	14,469
	<u>14,469</u>	<u>-</u>	<u>-</u>	<u>14,469</u>
<i>Total assets</i>	<u>\$ 1,488,465</u>	<u>\$ 1,312,806</u>	<u>\$ 259,103</u>	<u>\$ 3,060,374</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>				
<i>Current Liabilities</i>				
Accounts payable	\$ 17,938	\$ 31,236	\$ -	\$ 49,174
Accrued payroll liabilities	78,979	-	-	78,979
Interfund payables	345,141	-	-	345,141
<i>Total liabilities</i>	<u>442,058</u>	<u>31,236</u>	<u>-</u>	<u>473,294</u>
<i>Deferred Inflows</i>				
Property taxes	-	68,225	13,828	82,053
	<u>-</u>	<u>68,225</u>	<u>13,828</u>	<u>82,053</u>
<i>Fund balances</i>				
Nonspendable	14,469	-	-	14,469
Restricted	1,031,938	1,213,345	245,275	2,490,558
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total fund balances</i>	<u>1,046,407</u>	<u>1,213,345</u>	<u>245,275</u>	<u>2,505,027</u>
<i>Total liabilities, deferred inflows and fund balance</i>	<u>\$ 1,488,465</u>	<u>\$ 1,312,806</u>	<u>\$ 259,103</u>	<u>\$ 3,060,374</u>

See Notes to Financial Statements.

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

	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	TOTAL
<i>Revenues</i>				
Property taxes	\$ -	\$ 1,501,765	\$ 218,590	\$ 1,720,355
State grants	585,527	464,546	-	1,050,073
Federal grants	4,381,627	-	-	4,381,627
Miscellaneous	635,752	196,376	-	832,128
Interest	243	410	71	724
<i>Total revenues</i>	<u>5,603,149</u>	<u>2,163,097</u>	<u>218,661</u>	<u>7,984,907</u>
<i>Expenditures</i>				
<i>Current</i>				
Instruction	1,112,443	-	-	1,112,443
Support services				
Students	848,692	-	-	848,692
Instruction	587,890	-	-	587,890
General administration	61,771	14,790	2,162	78,723
School administration	180,425	-	-	180,425
Central services	3,648	-	-	3,648
Operation & maintenance of plant	69	-	-	69
Student transportation	67,003	-	-	67,003
Other support services	-	-	-	-
Food services operations	2,712,469	-	-	2,712,469
Community services	-	-	-	-
Capital outlay	-	1,902,001	-	1,902,001
Debt service				
Principal	-	-	365,000	365,000
Interest	-	-	28,131	28,131
<i>Total expenditures</i>	<u>5,574,410</u>	<u>1,916,791</u>	<u>395,293</u>	<u>7,886,494</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>28,739</u>	<u>246,306</u>	<u>(176,632)</u>	<u>98,413</u>
<i>Other financing sources</i>				
Bond premium	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>28,739</u>	<u>246,306</u>	<u>(176,632)</u>	<u>98,413</u>
<i>Fund balances, beginning of year</i>	1,189,981	967,039	421,907	2,578,927
<i>Restatement</i>	<u>(172,313)</u>	<u>-</u>	<u>-</u>	<u>(172,313)</u>
<i>Fund balances, beginning of year, as restated</i>	<u>1,017,668</u>	<u>967,039</u>	<u>421,907</u>	<u>2,406,614</u>
<i>Fund balances, end of year</i>	<u>\$ 1,046,407</u>	<u>\$ 1,213,345</u>	<u>\$ 245,275</u>	<u>\$ 2,505,027</u>

See Notes to Financial Statements.

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

	<b>21000</b>	<b>22000</b>	<b>24109</b>	<b>24112</b>
	Food Service	Athletics	IDEA-B Preschool	IDEA-B Early Intervention
	<hr/>	<hr/>	<hr/>	<hr/>
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 413,673	\$ 76,742	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	13,875	20,623
Other	-	-	-	-
Interfund receivables	-	-	-	-
Prepaid expenditures	-	-	-	-
Inventory	<u>14,469</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total assets</i>	<u>\$ 428,142</u>	<u>\$ 76,742</u>	<u>\$ 13,875</u>	<u>\$ 20,623</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>				
<i>Current Liabilities</i>				
Accounts payable	\$ 3,622	\$ -	\$ -	\$ -
Accrued payroll liabilities	60,498	-	1,568	6,038
Interfund payables	<u>-</u>	<u>-</u>	<u>12,307</u>	<u>14,585</u>
<i>Total liabilities</i>	<u>64,120</u>	<u>-</u>	<u>13,875</u>	<u>20,623</u>
<i>Deferred Inflows</i>				
Property taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable	14,469	-	-	-
Restricted	349,553	76,742	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total fund balances</i>	<u>364,022</u>	<u>76,742</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows and fund balances</i>	<u>\$ 428,142</u>	<u>\$ 76,742</u>	<u>\$ 13,875</u>	<u>\$ 20,623</u>

See Notes to Financial Statements.

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

	<b>24113</b>	<b>24115</b>	<b>24118</b>	<b>24124</b>
	Education of Homeless	IDEA-B Private School Share	Fresh Fruits & Vegetables	Title I 1003g Grant
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	1,389	29,690
Other	-	-	-	-
Interfund receivables	-	-	-	-
Prepaid expenditures	-	-	-	-
Inventory	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total assets</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,389</u>	<u>\$ 29,690</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>				
<i>Current Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-	-
Interfund payables	-	-	1,389	29,690
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>1,389</u>	<u>29,690</u>
<i>Deferred Inflows</i>				
Property taxes	-	-	-	-
<i>Fund balances</i>				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows and fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,389</u>	<u>\$ 29,690</u>

See Notes to Financial Statements.

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

	<b>24132</b>	<b>24154</b>	<b>24162</b>	<b>24174</b>
	Results Driven Accountability	Teacher/Principal Training & Recruiting	Title I School Improvement	Carl D. Perkins Secondary Current
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	663	58,193	-	3,862
Other	-	-	-	-
Interfund receivables	-	-	-	-
Prepaid expenditures	-	-	-	-
Inventory	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total assets</i>	<u>\$ 663</u>	<u>\$ 58,193</u>	<u>\$ -</u>	<u>\$ 3,862</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>				
<i>Current Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	3,899	-	-
Interfund payables	663	54,294	-	3,862
<i>Total liabilities</i>	<u>663</u>	<u>58,193</u>	<u>-</u>	<u>3,862</u>
<i>Deferred Inflows</i>				
Property taxes	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows and fund balances</i>	<u>\$ 663</u>	<u>\$ 58,193</u>	<u>\$ -</u>	<u>\$ 3,862</u>

See Notes to Financial Statements.

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

	<b>24176</b>	<b>24184</b>	<b>24186</b>	<b>25145</b>
	Carl D Perkins Secondary Redistribution	Teen Dating Violence Awareness	Youth Resiliency Project	Impact Aid Special Education
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 92,955
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	5,433	536	-	-
Other	-	-	-	-
Interfund receivables	-	-	-	-
Prepaid expenditures	-	-	-	-
Inventory	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total assets</i>	<u>\$ 5,433</u>	<u>\$ 536</u>	<u>\$ -</u>	<u>\$ 92,955</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>				
<i>Current Liabilities</i>				
Accounts payable	\$ 2,322	\$ -	\$ -	\$ 698
Accrued payroll liabilities	-	-	-	199
Interfund payables	3,111	536	-	-
<i>Total liabilities</i>	<u>5,433</u>	<u>536</u>	<u>-</u>	<u>897</u>
<i>Deferred Inflows</i>				
Property taxes	-	-	-	-
<i>Fund balances</i>				
Nonspendable	-	-	-	-
Restricted	-	-	-	92,058
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,058</u>
<i>Total liabilities, deferred inflows and fund balances</i>	<u>\$ 5,433</u>	<u>\$ 536</u>	<u>\$ -</u>	<u>\$ 92,955</u>

See Notes to Financial Statements.

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

	<b>25153</b>	<b>25179</b>	<b>25254</b>	<b>27103</b>
	Title XIX Medicaid	Alamo DOD	Educational Activity DOD	Dual Credit Instructional Materials
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 433,911	\$ 79,858	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	160,037	-
Other	-	-	-	-
Interfund receivables	-	-	-	-
Prepaid expenditures	-	-	-	-
Inventory	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total assets</i>	<u>\$ 433,911</u>	<u>\$ 79,858</u>	<u>\$ 160,037</u>	<u>\$ -</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>				
<i>Current Liabilities</i>				
Accounts payable	\$ 296	\$ -	\$ 11,000	\$ -
Accrued payroll liabilities	4,767	8	12	-
Interfund payables	-	-	149,025	-
	<u>5,063</u>	<u>8</u>	<u>160,037</u>	<u>-</u>
<i>Deferred Inflows</i>				
Property taxes	-	-	-	-
<i>Fund balances</i>				
Nonspendable	-	-	-	-
Restricted	428,848	79,850	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total fund balances</i>	<u>428,848</u>	<u>79,850</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows and fund balances</i>	<u>\$ 433,911</u>	<u>\$ 79,858</u>	<u>\$ 160,037</u>	<u>\$ -</u>

See Notes to Financial Statements.



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

	<b>27107</b>	<b>27114</b>	<b>27155</b>	<b>27166</b>
	2012 GO Bonds - Student Library Fund	New Mexico Reads to Lead	Breakfast for Elementary Students	Kindergarten - Three Plus
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	3,268	54,050	-	20,351
Other	-	-	-	-
Interfund receivables	-	-	-	-
Prepaid expenditures	-	-	-	-
Inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total assets</i>	<u>\$ 3,268</u>	<u>\$ 54,050</u>	<u>\$ -</u>	<u>\$ 20,351</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>				
<i>Current Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	1,990	-	-
Interfund payables	<u>3,268</u>	<u>52,060</u>	<u>-</u>	<u>20,351</u>
<i>Total liabilities</i>	<u>3,268</u>	<u>54,050</u>	<u>-</u>	<u>20,351</u>
<i>Deferred Inflows</i>				
Property taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows and fund balances</i>	<u>\$ 3,268</u>	<u>\$ 54,050</u>	<u>\$ -</u>	<u>\$ 20,351</u>

See Notes to Financial Statements.

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

	<b>27178</b>	<b>27183</b>	<b>27188</b>	<b>27190</b>
	School Bus Replacement	NM Grown FF&V	Pay for Performance Individual	Pay for Performance Group
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	-	-
Other	-	-	-	-
Interfund receivables	-	-	-	-
Prepaid expenditures	-	-	-	-
Inventory	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total assets</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>				
<i>Current Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-	-
Interfund payables	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Deferred Inflows</i>				
Property taxes	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows and fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

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

	<b>28190</b>	<b>28203</b>	<b>29102</b>	
	GRADS	GRADS	Private	
	Instructions	Plus	Direct Grants	Total
	(Categorical)			
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 1,695	\$ 625	\$ 2,567	\$ 1,102,026
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	-	371,970
Other	-	-	-	-
Interfund receivables	-	-	-	-
Prepaid expenditures	-	-	-	-
Inventory	-	-	-	14,469
<i>Total assets</i>	<u>\$ 1,695</u>	<u>\$ 625</u>	<u>\$ 2,567</u>	<u>\$ 1,488,465</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>				
<i>Current Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ 17,938
Accrued payroll liabilities	-	-	-	78,979
Interfund payables	-	-	-	345,141
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>442,058</u>
<i>Deferred Inflows</i>				
Property taxes	-	-	-	-
<i>Fund balances</i>				
Nonspendable	-	-	-	14,469
Restricted	1,695	625	2,567	1,031,938
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>1,695</u>	<u>625</u>	<u>2,567</u>	<u>1,046,407</u>
<i>Total liabilities, deferred inflows and fund balances</i>	<u>\$ 1,695</u>	<u>\$ 625</u>	<u>\$ 2,567</u>	<u>\$ 1,488,465</u>

See Notes to Financial Statements.

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

	21000	22000	24109	24112
	Food Service	Athletics	IDEA-B Preschool	IDEA-B Early Intervention
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	2,148,427	-	72,766	148,262
Miscellaneous	491,607	144,145	-	-
Interest	202	41	-	-
<i>Total revenues</i>	<u>2,640,236</u>	<u>144,186</u>	<u>72,766</u>	<u>148,262</u>
<i>Expenditures</i>				
<i>Current</i>				
Instruction	-	140,974	62,242	-
Support services				
Students	-	-	10,524	148,262
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	2,634,715	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,634,715</u>	<u>140,974</u>	<u>72,766</u>	<u>148,262</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>5,521</u>	<u>3,212</u>	<u>-</u>	<u>-</u>
<i>Other financing sources</i>				
Operating transfers	-	-	-	-
<i>Total other financing sources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>5,521</u>	<u>3,212</u>	<u>-</u>	<u>-</u>
<i>Fund balances, beginning of year</i>	798,381	73,530	-	-
<i>Restatement</i>	(439,880)	-	-	-
<i>Fund balances, beginning of year, as restated</i>	<u>358,501</u>	<u>73,530</u>	<u>-</u>	<u>-</u>
<i>Fund balances, end of year</i>	<u>\$ 364,022</u>	<u>\$ 76,742</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

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

	24113	24115	24118	24124
	Education of Homeless	IDEA-B Private School Share	Fresh Fruits & Vegetables	Title I 1003g Grant
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	11,643	2,252	43,199	113,195
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>11,643</u>	<u>2,252</u>	<u>43,199</u>	<u>113,195</u>
<i>Expenditures</i>				
<i>Current</i>				
Instruction	-	2,252	-	91,339
Support services				
Students	10,643	-	-	5,372
Instruction	-	-	-	4,934
General administration	-	-	-	8,143
School administration	-	-	-	428
Central services	-	-	-	2,979
Operation & maintenance of plant	-	-	-	-
Student transportation	1,000	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	43,199	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>11,643</u>	<u>2,252</u>	<u>43,199</u>	<u>113,195</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources</i>				
Operating transfers	-	-	-	-
<i>Total other financing sources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances, beginning of year</i>	-	-	-	-
<i>Restatement</i>	-	-	-	-
<i>Fund balances, beginning of year, as restated</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

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

	<b>24132</b>	<b>24154</b>	<b>24162</b>	<b>24174</b>
	Results Driven Accountability	Teacher/Principal Training & Recruiting	Title I School Improvement	Carl D. Perkins Secondary Current
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	37,762	254,879	61,578	61,533
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>37,762</u>	<u>254,879</u>	<u>61,578</u>	<u>61,533</u>
<i>Expenditures</i>				
<i>Current</i>				
Instruction	37,081	82,794	59,259	59,441
Support services				
Students	681	-	855	597
Instruction	-	158,310	-	-
General administration	-	12,435	1,464	861
School administration	-	1,209	-	634
Central services	-	131	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>37,762</u>	<u>254,879</u>	<u>61,578</u>	<u>61,533</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources</i>				
Operating transfers	-	-	-	-
<i>Total other financing sources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances, beginning of year</i>	-	-	-	-
<i>Restatement</i>	-	-	-	-
<i>Fund balances, beginning of year, as restated</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

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

	<b>24176</b>	<b>24184</b>	<b>24186</b>	<b>25145</b>
	Carl D Perkins Secondary Redistribution	Teen Dating Violence Awareness	Youth Resiliency Project	Impact Aid Special Education
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	6,160	1,922	6,631	72,875
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>6,160</u>	<u>1,922</u>	<u>6,631</u>	<u>72,875</u>
<i>Expenditures</i>				
<i>Current</i>				
Instruction	5,296	1,922	5,542	136,632
Support services				
Students	281	-	1,089	65,184
Instruction	-	-	-	-
General administration	134	-	-	9,030
School administration	449	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>6,160</u>	<u>1,922</u>	<u>6,631</u>	<u>210,846</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(137,971)</u>
<i>Other financing sources</i>				
Operating transfers	-	-	-	-
<i>Total other financing sources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(137,971)</u>
<i>Fund balances, beginning of year</i>	-	-	-	278,536
<i>Restatement</i>	-	-	-	(48,507)
<i>Fund balances, beginning of year, as restated</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>230,029</u>
<i>Fund balances, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,058</u>

See Notes to Financial Statements.

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

	<b>25153</b>	<b>25179</b>	<b>25254</b>	<b>27103</b>
	Title XIX Medicaid	Alamo DOD	Educational Activity DOD	Dual Credit Instructional Materials
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	12,474
Federal grants	654,218	192,164	492,161	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>654,218</u>	<u>192,164</u>	<u>492,161</u>	<u>12,474</u>
<i>Expenditures</i>				
<i>Current</i>				
Instruction	369	75	294,023	12,474
Support services				
Students	487,364	3,696	99,862	-
Instruction	-	-	96,466	-
General administration	22,199	5,549	1,741	-
School administration	-	168,452	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	69	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>509,932</u>	<u>177,772</u>	<u>492,161</u>	<u>12,474</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>144,286</u>	<u>14,392</u>	<u>-</u>	<u>-</u>
<i>Other financing sources</i>				
Operating transfers	-	-	-	-
<i>Total other financing sources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>144,286</u>	<u>14,392</u>	<u>-</u>	<u>-</u>
<i>Fund balances, beginning of year</i>	182,127	79,088	-	-
<i>Restatement</i>	102,435	(13,630)	-	-
<i>Fund balances, beginning of year, as restated</i>	<u>284,562</u>	<u>65,458</u>	<u>-</u>	<u>-</u>
<i>Fund balances, end of year</i>	<u>\$ 428,848</u>	<u>\$ 79,850</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.



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

	<b>27107</b>	<b>27114</b>	<b>27155</b>	<b>27166</b>
	2012 GO Bonds - Student Library Fund	New Mexico Reads to Lead	Breakfast for Elementary Students	Kindergarten - Three Plus
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	32,885	300,921	34,555	125,499
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>32,885</u>	<u>300,921</u>	<u>34,555</u>	<u>125,499</u>
<i>Expenditures</i>				
<i>Current</i>				
Instruction	-	9,115	-	97,722
Support services				
Students	-	-	-	14,282
Instruction	32,885	291,053	-	4,242
General administration	-	215	-	-
School administration	-	-	-	9,253
Central services	-	538	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	34,555	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>32,885</u>	<u>300,921</u>	<u>34,555</u>	<u>125,499</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources</i>				
Operating transfers	-	-	-	-
<i>Total other financing sources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances, beginning of year</i>	-	-	-	(13,269)
<i>Restatement</i>	-	-	-	13,269
<i>Fund balances, beginning of year, as restated</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

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

	<b>27178</b>	<b>27183</b>	<b>27188</b>	<b>27190</b>
	School Bus Replacement	NM Grown FF&V	Pay for Performance Individual	Pay for Performance Group
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	66,003	-	-	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>66,003</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
<i>Current</i>				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	66,003	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>66,003</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources</i>				
Operating transfers	-	-	-	-
<i>Total other financing sources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances, beginning of year</i>	-	(46)	(208,841)	(5,113)
<i>Restatement</i>	-	46	208,841	5,113
<i>Fund balances, beginning of year, as restated</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

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

	<b>28190</b>	<b>28203</b>	<b>29102</b>	
	GRADS	GRADS	Private	
	Instructions	Plus	Direct Grants	Total
			(Categorical)	
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	11,000	2,190	-	585,527
Federal grants	-	-	-	4,381,627
Miscellaneous	-	-	-	635,752
Interest	-	-	-	243
<i>Total revenues</i>	<u>11,000</u>	<u>2,190</u>	<u>-</u>	<u>5,603,149</u>
<i>Expenditures</i>				
<i>Current</i>				
Instruction	11,064	2,827	-	1,112,443
Support services				
Students	-	-	-	848,692
Instruction	-	-	-	587,890
General administration	-	-	-	61,771
School administration	-	-	-	180,425
Central services	-	-	-	3,648
Operation & maintenance of plant	-	-	-	69
Student transportation	-	-	-	67,003
Other support services	-	-	-	-
Food services operations	-	-	-	2,712,469
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>11,064</u>	<u>2,827</u>	<u>-</u>	<u>5,574,410</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(64)</u>	<u>(637)</u>	<u>-</u>	<u>28,739</u>
<i>Other financing sources</i>				
Operating transfers	-	-	-	-
<i>Total other financing sources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>(64)</u>	<u>(637)</u>	<u>-</u>	<u>28,739</u>
<i>Fund balances, beginning of year</i>	1,759	1,262	2,567	1,189,981
<i>Restatement</i>	-	-	-	(172,313)
<i>Fund balances, beginning of year, as restated</i>	<u>1,759</u>	<u>1,262</u>	<u>2,567</u>	<u>1,017,668</u>
<i>Fund balances, end of year</i>	<u>\$ 1,695</u>	<u>\$ 625</u>	<u>\$ 2,567</u>	<u>\$ 1,046,407</u>

See Notes to Financial Statements.

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

	<b>31200</b>	<b>31700</b>	<b>31701</b>
	Public School Capital Outlay State	Capital Improvements SB-9 (State)	Capital Improvements SB-9 (Local)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and cash equivalents	\$ -	\$ -	\$ 1,109,602
Accounts receivable			
Taxes	-	-	106,428
Due from other governments	-	-	-
Other	-	-	-
Interfund receivables	-	-	-
Prepaid expenditures	-	-	-
Inventory	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total assets</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,216,030</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>			
<i>Current Liabilities</i>			
Accounts payable	\$ -	\$ -	\$ 31,236
Accrued payroll liabilities	-	-	-
Interfund payables	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Liabilities</i>	<u>-</u>	<u>-</u>	<u>31,236</u>
<i>Deferred Inflows</i>			
Property taxes	-	-	68,225
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Fund balances</i>			
Nonspendable	-	-	-
Restricted	-	-	1,116,569
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>1,116,569</u>
<i>Total liabilities, deferred inflows and fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,216,030</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOLS  
COMBINING BALANCE SHEET -  
NONMAJOR CAPITAL PROJECT FUNDS (CONTINUED)  
JUNE 30, 2017**

	<b>31900</b>		
	Ed-Tech		
	Equipment		
	Act	Total	
	<u>          </u>	<u>          </u>	
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 96,776	\$ 1,206,378	
Accounts receivable			
Taxes	-	106,428	
Due from other governments	-	-	
Other	-	-	
Interfund receivables	-	-	
Prepaid expenditures	-	-	
Inventory	<u>-</u>	<u>-</u>	
 <i>Total assets</i>	 <u>\$ 96,776</u>	 <u>\$ 1,312,806</u>	
 <b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>			
<i>Current Liabilities</i>			
Accounts payable	\$ -	\$ 31,236	
Accrued payroll liabilities	-	-	
Interfund payables	<u>-</u>	<u>-</u>	
<i>Total Liabilities</i>	<u>-</u>	<u>31,236</u>	
 <i>Deferred Inflows</i>			
Property taxes	<u>-</u>	<u>68,225</u>	
 <i>Fund balances</i>			
Nonspendable	-	-	
Restricted	96,776	1,213,345	
Committed	-	-	
Assigned	-	-	
Unassigned	<u>-</u>	<u>-</u>	
 <i>Total fund balances</i>	 <u>96,776</u>	 <u>1,213,345</u>	
 <i>Total liabilities, deferred inflows and fund balances</i>	 <u>\$ 96,776</u>	 <u>\$ 1,312,806</u>	

See Notes to Financial Statements.

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

	<b>31200</b> Public School Capital Outlay State	<b>31700</b> Capital Improvements SB-9 (State)	<b>31701</b> Capital Improvements SB-9 (Local)
<i>Revenues</i>			
Property taxes	\$ -	\$ -	\$ 1,501,765
State grants	266,550	-	197,996
Federal grants	-	-	-
Miscellaneous	-	-	180,718
Interest	-	-	333
<i>Total revenues</i>	<u>266,550</u>	<u>-</u>	<u>1,880,812</u>
<i>Expenditures</i>			
<i>Current</i>			
Instruction	-	-	-
Support services			
Students	-	-	-
Instruction	-	-	-
General administration	-	-	14,790
School administration	-	-	-
Central services	-	-	-
Operation & maintenance of plant	-	-	-
Student transportation	-	-	-
Other support services	-	-	-
Food services operations	-	-	-
Community services	-	-	-
Capital outlay	266,550	-	1,426,590
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>266,550</u>	<u>-</u>	<u>1,441,380</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>439,432</u>
<i>Other financing sources (uses)</i>			
Operating transfers	-	(677,137)	677,137
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(677,137)</u>	<u>677,137</u>
<i>Net changes in fund balances</i>	-	(677,137)	1,116,569
<i>Fund balances, beginning of year</i>	-	677,137	-
<i>Restatement</i>	-	-	-
<i>Fund balances, beginning of year as restated</i>	<u>-</u>	<u>677,137</u>	<u>-</u>
<i>Fund balances, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,116,569</u>

See Notes to Financial Statements.

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

	<b>31900</b>	
	Ed-Tech	
	Equipment	
	Act	Total
	<u>          </u>	<u>          </u>
<i>Revenues</i>		
Property taxes	\$ -	\$ 1,501,765
State grants	-	464,546
Federal grants	-	-
Miscellaneous	15,658	196,376
Interest	<u>77</u>	<u>410</u>
<i>Total revenues</i>	<u>15,735</u>	<u>2,163,097</u>
<i>Expenditures</i>		
Current		
Instruction	-	-
Support services		-
Students	-	-
Instruction	-	-
General administration	-	14,790
School administration	-	-
Central services	-	-
Operation & maintenance of plant	-	-
Student transportation	-	-
Other support services	-	-
Food services operations	-	-
Community services	-	-
Capital outlay	208,861	1,902,001
Debt service		-
Principal	-	-
Interest	<u>-</u>	<u>-</u>
<i>Total expenditures</i>	<u>208,861</u>	<u>1,916,791</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(193,126)</u>	<u>246,306</u>
<i>Other financing sources (uses)</i>		
Operating transfers	<u>-</u>	<u>-</u>
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	(193,126)	246,306
<i>Fund balances, beginning of year</i>	289,902	967,039
<i>Restatement</i>	<u>-</u>	<u>-</u>
<i>Fund balances, beginning of year as restated</i>	<u>289,902</u>	<u>967,039</u>
<i>Fund balances, end of year</i>	<u>\$ 96,776</u>	<u>\$ 1,213,345</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOLS  
BALANCE SHEET - NONMAJOR DEBT SERVICE FUND  
JUNE 30, 2017**

	<b>43000</b> Debt Service Ed-Tech <hr/>
<b>ASSETS</b>	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 238,925
Accounts receivable	
Taxes	20,178
Due from other governments	-
Other	-
Interfund receivables	-
Prepaid expenditures	-
Inventory	-
<i>Total assets</i>	<hr/> <u>\$ 259,103</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	
<i>Current Liabilities</i>	
Accounts payable	\$ -
Accrued payroll liabilities	-
Interfund payables	-
<i>Total Liabilities</i>	<hr/> <u>-</u>
<i>Deferred Inflows</i>	
Property taxes	<hr/> 13,828
<i>Fund balances</i>	
Nonspendable	-
Restricted	245,275
Committed	-
Assigned	-
Unassigned	-
<i>Total fund balances</i>	<hr/> <u>245,275</u>
<i>Total liabilities, deferred inflows and fund balances</i>	<hr/> <u>\$ 259,103</u>

See Notes to Financial Statements.



**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOLS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
NONMAJOR DEBT SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>43000</b> Debt Service Ed-Tech
<i>Revenues</i>	
Property taxes	\$ 218,590
State grants	-
Federal grants	-
Miscellaneous	-
Interest	71
<i>Total revenues</i>	<u>218,661</u>
<i>Expenditures</i>	
Current	
Instruction	-
Support services	
Students	-
Instruction	-
General administration	2,162
School administration	-
Central services	-
Operation & maintenance of plant	-
Student transportation	-
Other support services	-
Food services operations	-
Community services	-
Capital outlay	-
Debt service	
Principal	365,000
Interest	28,131
<i>Total expenditures</i>	<u>395,293</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(176,632)</u>
<i>Other financing sources</i>	
Bond premium	-
<i>Total other financing sources</i>	<u>-</u>
<i>Net changes in fund balances</i>	<u>(176,632)</u>
<i>Fund balances, beginning of year</i>	421,907
<i>Restatement</i>	-
<i>Fund balances, beginning of year as restated</i>	<u>421,907</u>
<i>Fund balances, end of year</i>	<u>\$ 245,275</u>

See Notes to Financial Statements.

**OTHER SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
**ALAMOGORDO MUNICIPAL SCHOOLS**  
**SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	June 30, 2016	Additions	Deletions	June 30, 2017
Alamogordo High School	\$ 274,000	\$ 303,354	\$ (271,154)	\$ 306,200
Academy Del Sol	18,542	1,764	(7,019)	13,287
Chaparral Middle School	78,850	60,440	(76,112)	63,178
Mountain View Middle School	27,839	34,027	(32,680)	29,186
Holloman Middle School	17,321	23,245	(25,141)	15,425
Buena Vista	7,691	20,425	(19,859)	8,257
Heights	3,929	13,886	(15,774)	2,041
High Rolls	571	411	(601)	381
La Luz	2,043	2,738	(2,381)	2,400
North	794	1,129	(424)	1,499
Oregon	11,755	12,383	(10,673)	13,465
Desert Star Elementary	3,335	6,249	(4,637)	4,947
Sierra	13,024	19,879	(14,409)	18,494
Yucca	3,037	30,904	(23,435)	10,506
Holloman Elementary	17,880	18,211	(19,684)	16,407
Elementary Music	46	-	-	46
Department of Special Education	519	769	(580)	708
Professional Learning Center	12,204	103	-	12,307
Health Services	133	500	(84)	549
Superintendent's Office	9	16	33	58
Human Resources	713	-	-	713
Curriculum and Instruction	2,208	2,825	(2,277)	2,756
Athletics	103,442	130,951	(148,432)	85,961
Finance	45,874	19,577	(24,297)	41,154
Graphics	19,412	13,509	(2,668)	30,253
Student Nutrition	210	1,996	(598)	1,608
Learning Services	177	-	(1)	176
Technology support services	308	1	-	309
Chief of Staff	4,653	9,158	(4,713)	9,098
Maintenance	70	50	(110)	10
Central receiving	1,000	-	-	1,000
<b>Totals</b>	<u>\$ 671,589</u>	<u>\$ 728,500</u>	<u>\$ (707,710)</u>	<u>\$ 692,379</u>

Total agency assets \$ 692,379

Accounts payable \$ 553

Due to student organizations 691,826

**Total agency liabilities** \$ 692,379

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOLS  
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS  
JUNE 30, 2017**

Name of Depository	Description of Pledged Collateral	Type	Maturity	CUSIP Number	Fair Market Value June 30,2017
<b>First American Bank</b>					
	Albuquerque SD # 12-A NM 21	Bond	8/1/2021	013595QQ9	\$ 789,150
	Gallup ETC SD #1 BLDG NM 21	Bond	8/1/2021	364010PH5	880,405
	Univ of NM-REF NM 22	Bond	8/1/2022	914684EF8	1,466,104
	FNMA 10YR	Bond	12/1/2024	3138EPKF0	1,245,909
	Torrance ETC SD#8 NM 25	Bond	5/15/2025	891400NM1	505,285
	Clovis MUNI SD #1-A NM 26	Bond	8/1/2026	189414KW4	440,751
	FHLMC 15 YR	Bond	12/1/2026	3128MDYY3	991,924
	FNMA 15 YR	Bond	7/1/2029	31410LPF3	1,351,396
	GNMA 30 YR	Bond	5/15/2033	36200KT49	940,705
	<b>Total First American Bank</b>				<u>8,611,627</u>
Name and location of safe keeper for above pledged collateral: Federal Home Loan Bank, Dallas, TX					
<b>First National Bank</b>					
	FNMA Pool #AS0484	Bond	9/1/2028	3138W9RE2	1,301,211
	FNMA Pool #MA0023	Bond	4/1/2029	31417YAZ0	80,146
	FNMA Pool #C91349	Bond	12/1/2030	3128P7QA4	148,730
	FNMA Pool #MA0828	Bond	6/1/2031	31417Y4N4	776,092
	FNMA Pool #MA1401	Bond	4/1/2033	31418ARX8	637,729
	FNMA Pool #909295	Bond	1/1/2037	31411JGC4	392,644
	<b>Total First National Bank</b>				<u>3,336,552</u>
Name and location of safe keeper for above pledged collateral: Federal Home Loan Bank, Dallas, TX					
<b>Wells Fargo Bank</b>					
	FNMS	Bond	11/1/2026	3138EHE65	1,698,614
	FNMS	Bond	4/1/2043	31417F3R7	239,256
	<b>Total Wells Fargo Bank</b>				<u>1,937,870</u>
Name and location of safe keeper for above pledged collateral: Bank of New York Mellon					
	<b>Total Pledged Collateral</b>				<u>\$ 13,886,049</u>

**STATE OF NEW MEXICO**  
**ALAMOGORDO MUNICIPAL SCHOOLS**  
**SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS**  
**JUNE 30, 2017**

Bank Account Type	Account Type	First American Bank	First National Bank	Wells Fargo Bank	Total
Capital Projects	Checking	\$ 10,290,285	\$ -	\$ -	\$ 10,290,285
Debt Service	Checking	4,900,125	-	-	4,900,125
Nutrition Services	Checking	-	358,943	-	358,943
Athletics	Checking	-	76,741	-	76,741
Activity	Checking	-	700,349	-	700,349
Payroll	Checking	-	2,416,491	-	2,416,491
Operational	Checking	-	-	3,609,447	3,609,447
Total on Deposit		15,190,410	3,552,524	3,609,447	22,352,381
Reconciling Items		(3,271)	(2,430,590)	(149,677)	(2,583,538)
Reconciled Balance, June 30, 2017		<u>\$ 15,187,139</u>	<u>\$ 1,186,947</u>	<u>\$ 4,496,181</u>	<u>19,768,843</u>
Plus: Held checks					957,571
Plus: Petty cash					360
Less: Fiduciary Funds Cash					<u>(692,379)</u>
Cash and Investments per Government-Wide Financial Statements					<u>\$ 20,034,395</u>

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOLS  
SCHEDULE OF CASH RECONCILIATION  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>11000</b>	<b>13000</b>	<b>14000</b>	<b>21000</b>
	Operational Fund	Transportation Fund	Instructional Materials Fund	Food Services Fund
Cash, June 30, 2016	\$ 6,397,673	\$ 1,344	\$ 292,271	\$ 713,130
Add:				
2016-17 revenues	39,536,822	1,735,625	411,366	2,459,736
Receipt of prior year loans	1,691,210	-	-	-
Current year loans from other funds	-	-	-	-
Total cash available	<u>47,625,705</u>	<u>1,736,969</u>	<u>703,637</u>	<u>3,172,866</u>
Less:				
2016-17 expenditures	(41,859,134)	(1,735,625)	(210,145)	(2,430,241)
Prior year held checks cashed	(2,029,477)	(1,344)	-	(89,450)
Repayment of prior year loans	-	-	-	(300,000)
Transfers to/from other funds	-	-	-	-
Current year loans to other funds	(1,077,621)	-	-	-
Permanent transfer of cash to NM PED	-	-	(226,294)	-
Current year held checks	<u>817,886</u>	<u>673</u>	<u>-</u>	<u>60,498</u>
<b>Cash, June 30, 2017</b>	<u><u>\$ 3,477,359</u></u>	<u><u>\$ 673</u></u>	<u><u>\$ 267,198</u></u>	<u><u>\$ 413,673</u></u>

**Reconciliation of cash balances reported  
to the NM Public Education Department**

Cash, June 30, 2017 per financial statements	\$ 3,477,359	\$ 673	\$ 267,198	\$ 413,673
Reverse held checks	(817,886)	(673)	-	(60,498)
Add back cash loans to other funds	1,077,621	-	-	-
Less cash loans received from other funds	-	-	-	-
Cash per NM PED Cash Report	<u><u>\$ 3,737,094</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 267,198</u></u>	<u><u>\$ 353,175</u></u>

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

	<b>22000</b>	<b>23000</b>	<b>24000</b>	<b>25000</b>
	Athletics Fund	Non-Instruction Fund	Federal Flowthrough Fund	Federal Direct Fund
Cash, June 30, 2016	\$ 73,839	\$ 671,589	\$ -	\$ 526,376
Add:				
2016-17 revenues	144,186	728,498	3,926,364	1,416,601
Receipt of prior year loans	-	-	-	-
Current year loans from other funds	-	-	<u>852,917</u>	<u>149,025</u>
Total cash available	218,025	1,400,087	4,779,281	2,092,002
Less:				
2016-17 expenditures	(140,973)	(707,332)	(3,634,561)	(1,385,694)
Prior year held checks cashed	(310)	(376)	(170,712)	(12,528)
Repayment of prior year loans	-	-	(1,045,546)	(92,042)
Transfers to/from other funds	-	-	-	-
Current year loans to other funds	-	-	-	-
Permanent transfer of cash to NM PED	-	-	-	-
Current year held checks	<u>-</u>	<u>-</u>	<u>71,538</u>	<u>4,986</u>
<b>Cash, June 30, 2017</b>	<u>\$ 76,742</u>	<u>\$ 692,379</u>	<u>\$ -</u>	<u>\$ 606,724</u>

**Reconciliation of cash balances reported  
to the NM Public Education Department**

Cash, June 30, 2017 per financial statements	\$ 76,742	\$ 692,379	\$ -	\$ 606,724
Reverse held checks	-	-	(71,538)	(4,986)
Add back cash loans to other funds	-	-	-	-
Less cash loans received from other funds	-	-	<u>(852,917)</u>	<u>(149,025)</u>
Cash per NM PED Cash Report	<u>\$ 76,742</u>	<u>\$ 692,379</u>	<u>\$ (924,455)</u>	<u>\$ 452,713</u>

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

	<b>27000</b>	<b>28000</b>	<b>29000</b>	<b>31100</b>
	State Flowthrough	State Direct	Local or State Fund	Bond Building
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Cash, June 30, 2016	\$ 36,548	\$ 3,021	\$ 2,567	\$ 9,704,145
Add:				
2016-17 revenues	769,931	13,190	-	3,277,453
Receipt of prior year loans	-	-	-	-
Current year loans from other funds	<u>75,679</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash available	882,158	16,211	2,567	12,981,598
Less:				
2016-17 expenditures	(572,334)	(13,891)	-	(3,900,962)
Prior year held checks cashed	(58,191)	-	-	-
Repayment of prior year loans	(253,623)	-	-	-
Transfers to/from other funds	-	-	-	-
Current year loans to other funds	-	-	-	-
Permanent transfer of cash to NM PED	-	-	-	-
Current year held checks	<u>1,990</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash, June 30, 2017</b>	<u>\$ -</u>	<u>\$ 2,320</u>	<u>\$ 2,567</u>	<u>\$ 9,080,636</u>

**Reconciliation of cash balances reported  
to the NM Public Education Department**

Cash, June 30, 2017 per financial statements	\$ -	\$ 2,320	\$ 2,567	\$ 9,080,636
Reverse held checks	(1,990)	-	-	-
Add back cash loans to other funds	-	-	-	-
Less cash loans received from other funds	<u>(75,679)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash per NM PED Cash Report	<u>\$ (77,669)</u>	<u>\$ 2,320</u>	<u>\$ 2,567</u>	<u>\$ 9,080,636</u>



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

	<b>31200</b>	<b>31700</b>	<b>31701</b>	<b>31900</b>
	<u>Public School Capital Outlay</u>	<u>Cap. Improv. SB9 (State)</u>	<u>Cap. Improv. SB9 (Local)</u>	<u>Ed Tech Equipment Act</u>
Cash, June 30, 2016	\$ -	\$ 661,710		\$ 293,278
Add:				
2016-17 revenues	-	-	1,858,036	15,735
Receipt of prior year loans	-	-		
Current year loans from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash available	-	661,710	1,858,036	309,013
Less:				
2016-17 expenditures	-	-	(1,410,144)	(212,237)
Prior year held checks cashed	-	-	-	-
Repayment of prior year loans	-	-	-	-
Transfers to/from other funds	-	(661,710)	661,710	
Current year loans to other funds	-	-	-	-
Permanent transfer of cash to NM PED	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Current year held checks	-	-	-	-
<b>Cash, June 30, 2017</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,109,602</u>	<u>\$ 96,776</u>

**Reconciliation of cash balances reported  
to the NM Public Education Department**

Cash, June 30, 2017 per financial statements	\$ -	\$ -	\$ 1,109,602	\$ 96,776
Reverse held checks	-	-	-	-
Add back cash loans to other funds	-	-	-	-
Less cash loans received from other funds	-	-	-	-
Cash per NM PED Cash Report	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,109,602</u>	<u>\$ 96,776</u>

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

	<b>41000</b>	<b>43000</b>	
	Debt Service Fund	Ed Tech Debt Service	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Cash, June 30, 2016	\$ 4,251,189	\$ 417,929	\$ 24,046,609
Add:			
2016-17 revenues	4,714,027	216,288	61,223,858
Receipt of prior year loans	-	-	1,691,210
Current year loans from other funds	-	-	<u>1,077,621</u>
Total cash available	8,965,216	634,217	88,039,298
Less:			
2016-17 expenditures	(4,304,016)	(395,292)	(62,912,581)
Prior year held checks cashed	-	-	(2,362,388)
Repayment of prior year loans	-	-	(1,691,211)
Transfers to/from other funds	-	-	-
Current year loans to other funds	-	-	(1,077,621)
Permanent transfer of cash to NM PED	-	-	(226,294)
Current year held checks	<u>-</u>	<u>-</u>	<u>957,571</u>
<b>Cash, June 30, 2017</b>	<u>\$ 4,661,200</u>	<u>\$ 238,925</u>	<u>\$ 20,726,774</u>
			Cash per agency fund \$ 692,379
			Cash per governmental funds <u>20,034,395</u>
			<u>\$ 20,726,774</u>
<b>Reconciliation of cash balances reported to the NM Public Education Department</b>			
Cash, June 30, 2017 per financial statements	\$ 4,661,200	\$ 238,925	\$ 20,726,774
Reverse held checks	-	-	(957,571)
Add back cash loans to other funds	-	-	1,077,621
Less cash loans received from other funds	-	-	<u>(1,077,621)</u>
Cash per NM PED Cash Report	<u>\$ 4,661,200</u>	<u>\$ 238,925</u>	<u>\$ 19,769,203</u>

**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***

The Board of Education  
Alamogordo Municipal School District and  
Timothy Keller  
New Mexico State Auditor  
Alamogordo, New Mexico

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

**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 District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses as items 2017-001 and 2017-004.

The Board of Education  
Alamogordo Municipal School District and  
Timothy Keller  
New Mexico State Auditor

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies as items 2014-001, 2017-003, and 2017-007.

### **Compliance and Other Matters**

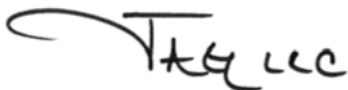
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

### **District's Response to Findings**

The District's response 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jaramillo Accounting Group LLC (JAG)  
Albuquerque, New Mexico  
November 15, 2017



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

The Board of Education  
Alamogordo Municipal School District and  
Timothy Keller  
New Mexico State Auditor  
Alamogordo, New Mexico

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

We have audited Alamogordo Municipal School District'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 programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

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

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

The Board of Education  
Alamogordo Municipal School District and  
Timothy Keller  
New Mexico State Auditor

### **Opinion on Each of the Major Federal Programs**

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 other major federal programs for the year ended June 30, 2017.

### **Other Matters**

The results of our auditing procedures disclosed instances of non-compliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-005 and 2017-006. Our opinion on each major federal program is not modified with respect to these matters.

The District's responses to the non-compliance 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 compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control Over Compliance**

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

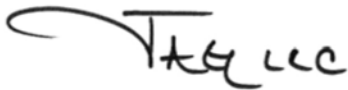
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

The Board of Education  
Alamogordo Municipal School District and  
Timothy Keller  
New Mexico State Auditor

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as describe in the accompanying schedule of findings and questioned costs as items 2017-005 and 2017-006, which we consider to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

A handwritten signature in black ink, appearing to read 'JAG LLC', with a stylized flourish at the beginning.

Jaramillo Accounting Group LLC (JAG)  
Albuquerque, New Mexico  
November 15, 2017



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

Federal Grantor or Pass-Through Grantor/Program Title	Passthrough Number	Federal CFDA	Amounts Passed through to Subrecipients	Federal Expenditures
<b>U.S. Department of Education</b>				
<i>Passthrough State of New Mexico Public Education Department</i>				
Impact Aid	11000	84.041	\$ -	\$ 488,393
Impact Aid (Special Education)	25145	84.041	-	<u>210,846</u>
			-	<u>699,239</u>
<i>Special Education Cluster</i>				
IDEA B Entitlement	24106	84.027	-	1,274,303
IDEA B Private School Share	24115	84.027	-	2,252
IDEA B Results Plan	24132	84.027A	-	37,762
IDEA B Preschool	24109	84.173	-	72,766
IDEA B Early Intervention	24112	84.173	-	<u>148,262</u>
<i>Total Special Education Cluster</i>			-	<u>1,535,345</u>
Title I Grants to Local Educational Agencies	24101	84.010	-	1,530,427
Title I Grants to Local Educational Agencies (School Improvement)	24162	84.010A	-	<u>61,578</u>
			-	<u>1,592,005</u>
School Improvement Grants	24124	84.377	-	113,195
Education of Homeless Children and Youth	24113	84.196	-	11,643
Improving Teacher Quality State Grants (Title II)	24154	84.367A	-	254,879
Career and Technical Education (Carl Perkins Secondary - Current)	24174	84.048	-	61,533
Career and Technical Education (Carl Perkins Secondary - Redistribution)	24176	84.048	-	<u>6,160</u>
			-	<u>67,693</u>
<b>Total U.S. Department of Education</b>			-	<u>4,273,999</u>
<b>U.S. Department of Agriculture</b>				
Rural Development, Forestry, and Communities (Forest Reserve)	11000	10.672	-	<u>17,434</u>
<i>Child Nutrition Cluster</i>				
<i>Passthrough State of New Mexico Children, Youth, and Families Department</i>				
Summer Food Service Program for Children	21000	10.559	-	144,321
<i>Passthrough State of New Mexico Public Education Department</i>				
Cash Assistance		10.553,		
National School Breakfast Program, National School Lunch Program	21000	10.555	-	1,823,638
<i>Passthrough State of New Mexico Human Services Department</i>				
Non-Cash Assistance (Commodities)				
National School Lunch Program	21000	10.555	-	<u>180,468</u>
<i>Total Child Nutrition Cluster</i>			-	<u>2,148,427</u>
<i>Passthrough State of New Mexico Public Education Department</i>				
Fresh Fruit and Vegetable Program	24118	10.582	-	<u>43,199</u>
<b>Total U.S. Department of Agriculture</b>			-	<u>2,209,060</u>
<b>U.S. Department of Defense</b>				
Department of Defense Impact Aid	25179	12.558	-	177,772
Invitational Grants for Military-Connected Schools	25254	12.557	-	<u>492,161</u>
<b>Total U.S. Department of Defense</b>			-	<u>669,933</u>
<b>U.S. Department of Health and Human Services</b>				
<i>Passthrough State of New Mexico Human Services Department</i>				
USHHS/CDC School Health	24186	93.079	-	<u>6,631</u>
<b>Total Federal Financial Assistance</b>			<u>\$ -</u>	<u>\$ 7,159,623</u>

See Notes to Schedule of Expenditures of Federal Awards.

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Alamogordo 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. SUBRECIPIENTS**

The District did not have any subrecipients during the year ended June 30, 2017.

**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 \$180,468. 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 4.49%.

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

Federal expenditures as reported on Schedule of Expenditure of Federal Awards	\$ 7,159,623
District as contractor relationship:	
Medicaid (Fund 25153)	654,218
Teen Dating Violence and Awareness (Fund 24184)	1,922
	<u>656,140</u>
Indirect cost recovery (Fund 11000)	175,484
Advance reimbursement grant (Impact Aid - Fund 25145)	(137,971)
Advance reimbursement grant (Alamo DOD - Fund 25179)	14,392
Federal revenue as reported in the financial statements	<u>\$ 7,867,668</u>

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017**

**2014-001**

Internal Controls over Receipting  
Significant Deficiency

Modified and Repeated

**2015-003**

Exceeded Budget Authority  
Other Non-Compliance

Resolved

**2016-001**

Lack of Controls over Blank Checks  
Significant Deficiency

Resolved

**2016-002**

Late IPA recommendation and Audit Contract  
Other Non-Compliance

Resolved

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**Section I – Summary of Audit Results**

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*Financial Statements:*

- |  |            |
|--|------------|
| 1. Type of auditor’s report issued   | Unmodified |
| 2. Internal control over financial reporting:                                    |            |
| a. Material weakness identified?   | Yes        |
| 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?                              | Yes        |
| 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)? | Yes        |
| 4. Identification of major programs:  |            |

<u>CFDA Number</u>	<u>Federal Program</u>
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	IDEA-B Special Education Cluster
10.553, 10.555, 10.559	Child Nutrition Cluster

- |   |           |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee?                                   | No        |

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

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**Section II – Financial Statement Findings**

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**2014-001      INTERNAL CONTROLS OVER RECEIPTING**

**TYPE OF FINDING:** Significant Deficiency

**CONDITION**

During our test work over District activity funds, we noted the following:

In 1 out of 25 transactions, we noted the following:

- Two cash box reports for the September 13, 2016 football game (subtotals of \$2,049 and \$280, respectively), were not signed by the cashiers in charge of the cash box.

Additionally, we judgmentally selected 3 of the largest activity fund deposits at the High School and noted the following:

- One of the three deposits selected was the homecoming dance. The final deposit from the dance of \$1,360 was for ticket sales at the door. There was no list of students and no receipts tickets provided with supporting deposit package.

The District did not make progress with this requirement. The District needs to continue working with the staff to ensure they are following policies and procedures.

**CRITERIA**

School Districts must establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirement of the applicable state and federal laws and regulations.

NMAC 6.20.2.11 states that each school district shall develop, establish and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in the performance of duties and functions. The duties to be segregated are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction.

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 mini-

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

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

**2014-001 INTERNAL CONTROLS OVER RECEIPTING (CONTINUED)**

mum, 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.

District Policy D-3300 Cash in School Buildings Monies collected by school employees shall be handled in accordance with prudent business procedures. All monies collected shall be receipted, accounted for, and directed without delay to the proper location of the deposit. The only funds remaining in any individual building shall be the school/department change fund. All cash funds shall be kept in a secured area. All funds collected from fund raisers, fines, etc. shall be deposited within 24-hours of the date funds are turned in and receipted. No funds, other than change fund, shall be left in the building over the weekend and/or holidays. If change for special events is needed arrangements can be made to pick up use, and re-deposit upon completion of the event.

**EFFECT**

Without proper controls over activity funds, 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 the campuses and, although Central Office does train employees, there may not be implementation of strong enough controls over activity funds.

**RECOMMENDATION**

We recommend assessing risk over each cash receipts revenue stream, 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:** Management has and will continue to provide training to employees that handle cash and the District Administrators who supervise them. The District has implemented an employee policy titled, "Employee Agreement to Make Purchases with District Funds, Collect Money, or Fundraise on behalf of the District or Students." The policy is signed by the employee and the supervisor and kept in the employee's file. Any violation of the policy is to be addressed by the employee's supervisor via disciplinary action up to and including termination.

As employees continue to violate any policies or procedures, it is expected that the supervisor will implement corrective action. Management will work with the Superintendent and other Administrators to ensure that policies and procedures are being followed.

Management will work on getting out to the sites to review cash handling procedures as often as possible.

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

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

**2014-001      INTERNAL CONTROLS OVER RECEIPTING (CONTINUED)**

**Due Date of Completion:** This will be a continual process throughout the year.

**Responsible Party:** District Administrators and Site Secretaries in conjunction with the Director of Business and Finance

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

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

**2017-001 RESTATEMENT OF JUNE 30, 2016 FINANCIAL STATEMENTS INTERNAL CONTROL OVER FINANCIAL CLOSE AND REPORTING**

**TYPE OF FINDING:** Material Weakness

**CONDITION**

*Financial Statements*

The District did not implement an effective year-end financial close and reporting process for the year ended June 30, 2016 which resulted in material errors in the June 30, 2016 audited financial statements. The errors in the June 30, 2016 fund balance were corrected within these June 30, 2017 audited financial statements.

The adjustments to opening fund balances, either (overstated) or understated, for the year ended June 30, 2016 were as follows:

- Fund 21000 Food Service (\$439,880)
- Fund 25145 Impact Aid (\$48,507)
- Fund 25179 Alamo DOD (\$13,630)
- Fund 27166 K-3 Plus \$13,269
- Fund 27183 NM Grown FF&V \$46
- Fund 27188 Pay for Performance Indiv. \$208,841
- Fund 27190 Pay for Performance Group \$5,113

Other material errors noted in the prior year financial statements were as follows:

*Schedule of Expenditures of Federal Awards*

The District's prior year SEFA for the year ended June 30, 2017 had the following errors:

- Not reporting the Summer Food Program of \$165,568, CFDA # 10.559
- Reporting Medicaid (fee for services) of \$456,890. Federal awards that are a fee for service should not be included on the SEFA but as a reconciling item to the SEFA.
- Reporting Child Nutrition program expenditures instead of claims reimbursements amounts, a difference of \$439,880.

*Presentation of major funds in the financial statements*

- Fund 41000. This fund met the criteria of a "major" fund and was required by GASB to be presented in front of the footnotes to the financial statements. The fund was presented behind the footnotes.

**CRITERIA**

There are several key underlying accounting standards to an organization designing and implementing an effective financial close and reporting process. Auditors are required to identify and communicate internal control



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

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

**2017-001 RESTATEMENT OF JUNE 30, 2016 FINANCIAL STATEMENTS INTERNAL CONTROL OVER FINANCIAL CLOSE AND REPORTING (CONTINUED)**

weaknesses according to Statement on Auditing Standards (SAS) AU Section 325 Communication of Internal Control Related Matters Identified in an Audit, which includes:

- The auditor cannot be a part of a client's internal control because becoming part of a client's internal control impairs auditor independence
- The auditor's work is independent of the client's internal control over financial reporting and the auditor cannot be a compensating control for the client; and
- A system of internal control over the financial reporting does not stop at the general ledger; it includes controls over the presentation of the financial statements.
- Financial reporting is considered a significant process of internal control and should be performed by the District's staff or under the supervision of District's staff.

The auditing standards require the auditor to obtain the auditees' agreement to correct material misstatements in their financial statements before the financial statements are issued. This agreement is fulfilled up front in the engagement letter by getting the auditee to agree to doing this. Additionally, at the end of the audit, the auditee also fulfills this obligation when they sign the audit representation letter.

To achieve this, the auditee must provide the auditor cash basis trial balances that are free of material misstatement, all the receivables and payables (modified accrual entries) and then, at a minimum, all the correct supporting information for the full accrual statements (accrued compensated absences, bond debt, capital asset detail along with the accumulated depreciation and depreciation expense, property tax receivable, etc.). The auditee must full understand how all the adjustments flow through the trial balances that link into the final product (the financial statements).

1. **Cash basis.** Have a process in place to give the auditors the correct (free of material adjustments) cash basis trial balances.
2. **Modified accrual basis.** Take ownership for and agree that the modified accrual basis adjustments (primarily receivables and payables) made by the auditor from the District's detail to the cash basis trial balances are materially correct. A modified accrual basis trial balance is simply the cash basis trial balance plus receivables and payables at year-end. The modified accrual basis trial balances are grouped by category and then used to create all the individual funds presented in the annual financial report.
3. **Full accrual basis.** Starting with the above final modified accrual basis trial balances then take ownership for the all the adjustments from the total modified basis to the full accrual basis (the entity-wide statements at the very front of the annual financial report).

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

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

**2017-001 RESTATEMENT OF JUNE 30, 2016 FINANCIAL STATEMENTS INTERNAL CONTROL OVER FINANCIAL CLOSE AND REPORTING (CONTINUED)**

Per CFR §200.40 Federal financial assistance: (a) *Federal financial assistance* means assistance that non-Federal entities receive or administer in the CFR § 200.508 Auditee responsibilities. The auditee must:

- (a) Procure or otherwise arrange for the audit required by this part in accordance with § 200.509 Auditor selection, and ensure it is properly performed and submitted when due in accordance with § 200.512 Report submission.
- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 financial statements.

**CAUSE**

The District's management and governance were unaware of the rigorous review and approval required over the financial close and reporting process.

**EFFECT**

The District's June 30, 2016 financial statements were materially misstated and there are 7 funds that have prior period restatements in the June 30, 2017 financial statements to correct the errors.

**RECOMMENDATION**

The District's financial close and reporting controls should include but not be limited to:

- Identifying all sources of financial and non-financial data (routine and non-routine events and transactions) that will be needed in order to maintain and systematically adjust the District's general ledger
- Preparing PBCs in the format of the financial statement requirements
- Preparing the SEFA in compliance with the Uniform Grant Guidance, related compliance supplements and grant agreements
- Providing all cash to modified accrual basis journal entries for the fund financial statements
- Providing cash to full accrual for the government-wide financial statements
- Establishing and implementing procedures and records to initiate, authorize, record, process, correct, transfer to the general ledger, and report in the financial statements the District's transactions
- Monitoring the non-audit services provided by the external auditor and reviewing and approving the services provided
- Reviewing in detail the financial statements and related reports and not releasing them to the Office of the State Auditor until completely accurate

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

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

**2017-001 RESTATEMENT OF JUNE 30, 2016 FINANCIAL STATEMENTS INTERNAL CONTROL OVER FINANCIAL CLOSE AND REPORTING (CONTINUED)**

**MANAGEMENT RESPONSE**

**Corrective Action:** Management is aware of the importance of this responsibility and will continue to provide training to the Director of Business and Finance and the Comptroller to ensure that all of these issues are corrected. In the annual audit, Management does ensure that cash balances, capital assets, and bond balances are correct. Management also ensures that expenditures and revenues are recorded appropriately during the year and in the final audit.

**Due Date of Completion:** June 30, 2018

**Responsible Party:** Director of Business and Finance

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
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:** Finding that does not rise to the level of a significant deficiency

**CONDITION**

An employee from the Learning Services Department was in the user group called "Full access to all accounting modules" (including general ledger, payroll, and purchasing). This employee should not have had this access. There was no evidence she made use of the access. However, it showed that the IT Director's review of access for segregation of duties and other risks was not effective.

**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**

Without thorough reviews, there is an increased risk of unauthorized or inaccurate changes in the accounting records.

**CAUSE**

The current IT Director stated the access setup before she (the current IT Director) was employed by the District and she did not catch the incorrect level of access until the auditors pointed it out.

**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. Also, we recommend that the District utilize the functionality to improve controls where needed.

**MANAGEMENT RESPONSE**

**Corrective Action:** In response to the above-mentioned audit finding, the Technology Support, Human Resources and Business & Finance departments will conduct a semi-annual review of the personnel and access rights to the Visions Software. In addition to the periodic review, a User Rights Profile document will be created and used to assign access rights for new employees and transferred employees.

With both of these elements in place, the system information will be more secure and eliminate incompatible roles in the future.

**Due Date of Completion:** December 31, 2017

**Responsible Party:** The Executive Director of Support Services, Director of Technology Support Services, Director of Human Resources, and the Business and Finance Director

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

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

**2017-003 PAYROLL – TIMESHEETS**

**TYPE OF FINDING:** Significant Deficiency

**CONDITION**

In our payroll testing, 1 of 25 timesheets was filled out and matches payroll journal. However, the timesheet was not signed by the substitute teacher and couldn't, therefore, be approved by the supervisor. We noted that the system had a backlog of 63 individuals with unapproved timesheets and that almost all were substitute teachers. Substitutes keep a log of their time, which they are supposed to submit for approval, but even if they don't submit for approval, they get paid regardless (in this one instance \$469). For the fiscal year ended June 30, 2017, on the cash basis of accounting, the District paid substitutes \$1.2 million.

**CRITERIA**

Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, and 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.

**EFFECT**

There is an increased risk of errors, waste, and abuse of District funds.

**CAUSE**

The Finance office was advised that they must pay substitutes or other employees even without signatures, including electronic signatures, and approvals. The supervisors are normally in the school but the supervisor for subs is in the Human Resources Office, so there is no direct communication or accountability.

**RECOMMENDATION:** We recommend tighter controls over substitute time to prove the validity and necessity of this large budget amount. Human Resources and HR management should work with the business office supervisor and the substitutes to implement strong controls over timesheet signatures and approvals. Monitoring and accountability for non-compliance should be enforced.

**MANAGEMENT RESPONSE**

**Corrective Action:** The Business and Finance Department has implemented a new system in which any employee who has not submitted an electronic timesheet are notified via email that unless they submit their time sheet, they will be removed from direct deposit and will have to come to the Payroll office and pick up a hard check. The employee will have to electronically submit their time sheet before the pay check will be given to them. Thus far, the process has been successful.

**Due Date of Completion:** October 30, 2017

**Responsible Party:** The Director of Human Resources, District Administration, and the Business and Finance Department

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

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

**2017-004 STUDENT NUTRITION – OPERATIONS**

**TYPE OF FINDING:** Material Weakness

**CONDITION**

During our testing of Student Nutrition inventory and cash receipts, we noted the following exceptions:

- Certain Central Office Student Nutrition Services (SNS) employees have been selling the District's food and supplies ordered by and received into the District to outside parties.
  - Some entities and individuals purchasing food, supplies, and meals are charged a 10% markup on purchases, some are not. There is inconsistency in rates charged.
  - Food or supplies are sometimes ordered for staff or entities in the community such as the Chamber of Commerce. Our testing did show that other entities are allowed to purchase through the District, such as a local catering business, which ordered cases of hamburgers.
  - This allows businesses or individuals to purchase the items tax-free (no gross receipts taxes paid).
  - There are several parties that still owe the District and there are not controls over this A/R or collections. For example, a current employee ordered items costing \$750 for the Chamber of Commerce in August 2017. As of October 25, 2017, this order was still not paid back to the District. These types of receivables are not tracked in the general ledger accounting system.
  - The District could be in violation of the Anti-Donation Clause of the NM State Constitution.
  - The District did not collect gross receipt taxes on sales to individuals.
  - We noted that a former food services worker purchased foil for \$34 and signed as receiving it in a log book. We reviewed the invoice from the food service vendor and saw she was charged a 10% markup. However, there was no cash receipt ticket issued and no evidence of the cash being deposited. There were no cash funds from the safe deposited close to that time that matched the amount collected.
  - There are no formal written policies and procedures over food and supplies sales to non-profits and other third-parties.
- Uncollected A/R balances from students in fiscal year 2017 were approximately \$1,000 and are already \$8,000 as of October 2017 (fiscal year 2018).
- There is no evidence that Non-Sufficient Fund (NSF) checks for purchases of student's meals are followed up on. At the end of fiscal year 2017, there were \$260 in NSFs not collected.
- The SNS office maintains \$20 or more in petty cash in a safe; however, the safe was not locked because it was broken and left unattended.
- The SNS individuals we interviewed were unable to tell us how much meals and catering cost the District.

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

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

**2017-004 STUDENT NUTRITION – OPERATIONS (CONTINUED)**

- The District has had to materially subsidize the SNS program over the past 10 years, including: Permanent Cash Transfers (\$488,703), Temporary Cash Loans (\$1,100,000), and Loans Repaid/Other (\$2,175,000). The program should be self-sustaining and generating a healthy fund balance in order to reinvest/ upgrade the District's food service infrastructure as many Districts do. This is a red flag for inefficiencies and/or possible fraud. There were no amounts outstanding as of June 30, 2017 but there is another \$300,000 temporary cash loan outstanding as of October 31, 2017.

**CRITERIA**

Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, and 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.

District Policy D-3300 Cash in School Buildings Monies collected by school employees shall be handled in accordance with prudent business procedures. All monies collected shall be receipted, accounted for, and directed without delay to the proper location of the deposit. The only funds remaining in any individual building shall be the school/department change fund. All cash funds shall be kept in a secured area. All funds collected from fund raisers, fines, etc. shall be deposited within 24-hours of the date funds are turned in and receipted. No funds, other than change fund, shall be left in the building over the weekend and/or holidays. If change for special events is needed arrangements can be made to pick up use, and re-deposit upon completion of the event.

**QUESTIONED COSTS**

None

**EFFECT**

The proper use of federal money and commodities in this program is dependent on strong internal controls over inventory, along with proper staffing.

**CAUSE**

The District's issues in this area have resulted from staffing issues and not designing and implementing strong controls over inventories. The Finance Department was unaware these practices were occurring.

**RECOMMENDATION**

We recommend that the District re-visit all procedures and staffing resources within the Student Nutrition program. We recommend meeting with other Districts in the state whose programs are doing well programmatically and financially. Once there are risk assessments performed, new policies, procedures, organizational structure, and controls implemented, there must be frequent monitoring. There should be strong accountability consequences for non-compliance.

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

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

**2017-004 STUDENT NUTRITION – OPERATIONS (CONTINUED)**

**MANAGEMENT RESPONSE**

**Corrective Action:** The District will continually develop, review and revise written procedures to ensure proper accounting and procurement processes are clear. All applicable Student Nutrition Service employees will be provided written procedures and training regarding the handling of money and assets.

**Due Date of Completion:** December 31, 2017

**Responsible Party:** Executive Director of Support Services and Student Nutrition Coordinator/Director



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

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

**2017-007 STUDENT NUTRITION – CASH RECEIPTS**

**TYPE OF FINDING:** Significant Deficiency

**CONDITION**

During our testing of Student Nutrition cash receipts, we noted the following exceptions:

- Student Nutrition at Central Office makes weekly deposits, in violation of the State’s 24-hour deposit requirement.
- There were no requirements or controls over issuance of cash receipt tickets until August 2017 as a result of audit testing.
- Cash receipt ticket books at all schools should be controlled, monitored on-site, and reconciled monthly to the general ledger and bank deposits.
- Surprise audits of any types of funds collected should be occurring at each location in the District.

**CRITERIA**

District Policy D-3300 Cash in School Buildings states: “Monies collected by school employees shall be handled in accordance with prudent business procedures. All monies collected shall be receipted, accounted for, and directed without delay to the proper location of the deposit. The only funds remaining in any individual building shall be the school/department change fund. All cash funds shall be kept in a secured area. All funds collected from fund raisers, fines, etc. shall be deposited within 24-hours of the date funds are turned in and receipted. No funds, other than change fund, shall be left in the building over the weekend and/or holidays. If change for special events is needed arrangements can be made to pick up use, and re-deposit upon completion of the event.”

**QUESTIONED COSTS**

None

**EFFECT**

The proper collection and tracking of receipts in this program is dependent on strong internal controls over receipts, along with proper staffing.

**CAUSE**

The District’s issues in this area resulted from staffing issues and not designing and implementing strong controls over inventories.

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

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

**2017-007 STUDENT NUTRITION – CASH RECEIPTS (CONTINUED)**

**RECOMMENDATION**

We recommend that the District re-visit all procedures and staffing resources within the Student Nutrition program. We recommend meeting with other Districts in the state whose programs are doing well programmatically and financially. Once there are risk assessments performed, new policies, procedures, organizational structure, and controls implemented, there must be frequent monitoring. There should be strong accountability consequences for non-compliance.

**MANAGEMENT RESPONSE**

**Corrective Action:** The District will continually develop, review and revise written procedures to ensure cash receipt and deposit procedures. All applicable Student Nutrition Service employees will be provided written procedures and training regarding the management of cash receipts and deposits.

**Due Date of Completion:** December 31, 2017

**Responsible Party:** Executive Director of Support Services and Student Nutrition Coordinator/Director in cooperation with the Director of Business and Finance

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

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**Section III – Federal Findings**

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**2017-005 STUDENT NUTRITION – VERIFICATION OF ELIGIBILITY AND CASH MANAGEMENT**

**TYPE OF FINDING:** Significant Deficiency/Non-Compliance

*Federal program information:*

Funding agency: U.S. Department of Agriculture  
Title: National School Lunch Program  
CFDA Number: 10.553, 10.555

**CONDITION**

During our testing of eligibility and verification, a calculation for eligibility was done improperly, changes resulting from verification were entered or not entered timely and changes to eligibility were not shown on the application. Additionally, changes to income were made on an application without explanation resulting in eligibility. When testing cash management, some revenue for snacks was not billed during a month tested, and further testing resulted in finding a month with no snacks being billed.

- Application 363. Verification was completed late on November 28, 2016. Students should have been changed from free to paid, but the change never was entered, resulting in free meals for the entire year when they should have been full price and not billed to the program.
- Application 1353. Household income was miscalculated by \$28,000 resulting in four students receiving reduced meals for the year when they did not qualify.
- Application 1613. Original income reported was reduced by the applicant and the office. Appears to be done on the same day, no explanation, resulted in reduced meals for the student, after originally being denied due to income exceeding guideline.
- Application 2207. Information on application resulted in no reduced or free. This was changed as the result of direct certification, a TANF case, resulting in free meals. The Case Number and change on the application were never written in.
- Application 438. Verification must be completed by November 15. Test results found that the changes from verification were not entered until mid-December, so billing continued for free and/or reduced when students were no longer eligible.

The Child Nutrition program was not charged for snacks for one class in November 2016, as the supporting documentation could not be located. Further test work found the entire month of April 2017 had nothing billed for snacks, resulting in lost revenue of approximately \$1,400. We also noted the program has historically been supplemented with significant operational funds since it is not operated in a self-sustaining way.

**CRITERIA**

Children belonging to households meeting nationwide income eligibility requirements may receive meals at no charge or a reduced price.

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

**Section III - Federal Findings (Continued)**

**2017-005 STUDENT NUTRITION – VERIFICATION ELIGIBILITY AND CASH MANAGEMENT (CONTINUED)**

By November 15 of each school year, the District must verify the current free and reduced-price eligibility of households from a sample of applications that it has approved for free and reduced-price meals. The District must follow up on children whose eligibility status has changed as the verification activities and put them in the correct category.

The District should ensure that it bills the Child Nutrition Program for all eligible meals and snacks provided. In addition, proper accounting for all funds received for any reason is required. Improper billing can create unnecessary cash shortages which should not exist.

**QUESTIONED COSTS**

Unknown

**EFFECT**

By not reporting the students' eligibility changes timely, the District is not in compliance with program requirements. The proper use of federal money in this program is dependent on timely and accurate reporting from participating Districts.

**CAUSE**

The District's deficiencies in this area resulted from lack of staff training and oversight, and not following written procedures and internal controls to ensure that changes to eligibility were correct and snacks were properly billed for.

**RECOMMENDATION**

We recommend the District develop written procedures and processes to ensure calculations are correct, information is complete on application forms and correctly and timely entered into the database. The District needs to ensure it has procedures to properly gather all information to properly bill for all meals and snacks provided. Accounting and collecting all monies due to the District is required to ensure the financial stability of the Program.

**MANAGEMENT RESPONSE**

**Corrective Action:** The District will continually develop, review and revise written procedures to ensure student applications are calculated accurately by office staff and verified by the Student Nutrition Coordinator/Director. All applicable Student Nutrition Service office staff will be provided written procedures and training regarding the verification of student applications for free and reduced lunch programs.

**Due Date of Completion:** December 31, 2017

**Responsible Party:** Executive Director of Support Services and Student Nutrition Coordinator/Director

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

**Section III - Federal Findings (Continued)**

**2017-006 STUDENT NUTRITION – INVENTORY**

**TYPE OF FINDING:** Significant Deficiency/Non-Compliance

*Federal program information:*

Funding agency: U.S. Department of Agriculture Title:

National School Lunch Program

CFDA Number: 10.553, 10.555

**CONDITION**

During our testing of Student Nutrition inventory, we noted the following exceptions:

- Weekly inventories at school sites are not being performed.
- There are not routine cycle counts of freezer inventory.
- One school does not have staff, so central office staff fills in.
- Year-end inventory lists commodities only and does not include pricing on all items.
- Controls over the receipt and use of inventory are not properly designed and implemented.

**CRITERIA**

Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, and 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.

**QUESTIONED COSTS**

None

**EFFECT**

The proper use of federal money and commodities in this program is dependent on strong internal controls over inventory, along with proper staffing.

**CAUSE**

The District's issues in this area resulted from staffing issues and not designing and implementing strong controls over inventories.

**RECOMMENDATION**

We recommend that the District re-visit all procedures and staffing resources within the Student Nutrition program. We recommend meeting with other Districts in the state whose programs are doing well programmatically and financially. Once there are risk assessments performed, new policies, procedures, organizational structure, and controls implemented, there must be frequent monitoring. There should be strong accountability consequences for non-compliance.

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

**Section III - Federal Findings (Continued)**

**2017-006 STUDENT NUTRITION – INVENTORY (CONTINUED)**

**MANAGEMENT RESPONSE**

**Corrective Action:** The District will continually develop, review and revise written procedures to ensure accurate inventory management of food, supply and equipment assets. All applicable Student Nutrition Service staff will be provided written procedures and training regarding accurate inventory management procedures.

**Due Date of Completion:** December 31, 2017

**Responsible Party:** Executive Director of Support Services and Student Nutrition Coordinator/Director

**STATE OF NEW MEXICO  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT  
EXIT CONFERENCE  
JUNE 30, 2017**

The contents of this report were discussed, in a closed session, on November 7, 2017 with Alamogordo Municipal School District. The following individuals were in attendance:

**Alamogordo Municipal School District:**

Adrienne Salas, Superintendent  
Carol Genest, Director of Business and Finance  
Tom Bregler, Comptroller  
Vance Lee, Audit Committee  
David Weaver, President  
Angela Cadwallader, Vice President  
Diana Jackson, NEA Representative

**Jaramillo Accounting Group LLC (JAG):**

Audrey J. Jaramillo, CPA, CFE, Partner  
Scott Eliason, CPA, Partner (telephone)

*Jaramillo Accounting Group (JAG) assisted in the preparation of the financial statements presented in this report. The District's management has reviewed and approved the financial statements, the schedule of expenditures of federal awards, and related notes and they believe that their records adequately support the financial statements.*

## APPENDIX C

### BOOK-ENTRY-ONLY SYSTEM



## BOOK-ENTRY-ONLY SYSTEM

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

*The District and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption notices or other notices to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption notices or other notices to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments, with respect to the Bonds, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor Securities depository). In that event, Bond certificates will be printed and delivered to bond holders.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District, the Financial Advisor and the Underwriters believe to be reliable, but none of the District, the Financial Advisor or the Underwriters take any responsibility for the accuracy thereof.

#### **Use of Certain Terms in Other Sections of this Official Statement**

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be

exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

**Effect of Termination of Book-Entry-Only System**

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Resolution and summarized under "The Bonds" below in this Official Statement.

## APPENDIX D

### FORMS OF CO-BOND COUNSEL OPINIONS

\_\_\_\_\_, 2018

*An opinion in substantially the following form will be delivered by Cuddy & McCarthy, LLP, Bond Counsel, upon delivery of the Bonds, assuming no material changes in facts or law.*

**\$4,740,000  
ALAMOGORDO MUNICIPAL SCHOOL DISTRICT NO. 1  
GENERAL OBLIGATION SCHOOL BONDS  
SERIES 2018**

We have acted as Bond Counsel in connection with the issuance by the Alamogordo Municipal School District No. 1, County of Otero, State of New Mexico ("Issuer"), of its General Obligation School Bonds, Series 2018 ("Bonds") in the aggregate principal amount of \$4,470,000. In addition to examining those portions of the Constitution and laws of the State of New Mexico considered by us to be relevant to this opinion, we have reviewed certified copies of the proceedings of the Issuer and documents authorizing the release of the Bonds, including the form of Bond approved by the Issuer. We have acted as Bond Counsel for the Issuer for the sole purpose of rendering an opinion with respect to the validity of the Bonds under the Constitution and laws of the State of New Mexico, as to which an opinion is rendered herein, and for no other reason or purpose.

We have not been engaged nor have we undertaken to review the accuracy, completeness, or sufficiency of any offering material relating to the Bonds, and we express no opinion relating thereto. We have not been requested to investigate or verify, nor have we independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, and we have not assumed and do not assume any responsibility with respect thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that under existing law:

1. The Bonds have been authorized, issued, and delivered in accordance with the Constitution and laws of the State of New Mexico, and constitute valid and legally binding general obligations of the Issuer.

2. All taxable property within the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds, to the extent the necessary funds are not provided from other sources.

3. The interest on the Bonds is excluded from net income for New Mexico State income tax purposes.

4. We express no opinion as to any federal tax consequences resulting from the ownership, carrying, or disposition of the Bonds, and in particular, no opinion is expressed as to the excludability of interest on the Bonds from the gross income of the holders, for federal tax purposes.

Except as stated above, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds. Further, we express no opinion as to the federal, state, or local tax consequences arising from the enactment of any pending or future legislation.

We note that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Very truly yours,

*[An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Co-Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.]*

**\$4,740,000**  
**ALAMOGORDO MUNICIPAL SCHOOL DISTRICT NO. 1**  
**GENERAL OBLIGATION SCHOOL BONDS**  
**SERIES 2018**

We have acted as Co-Bond Counsel in connection with the issuance by the Alamogordo Municipal School District No. 1 (the "Issuer"), of its General Obligation School Bonds, Series 2018 in the aggregate principal amount of \$4,740,000 (the "Bonds"). We have examined those portions of the Constitution and laws of the State of New Mexico considered by us relevant to this opinion, certified copies of the proceedings of the Issuer and other documents authorizing and relating to the issuance of the Bonds, including the form of the Bonds approved by the Issuer. We have acted as Co-Bond Counsel for the Issuer for the sole purpose of rendering an opinion with respect to the validity of the Bonds under the Constitution and laws of the State of New Mexico and with respect to the application to the Bonds of those provisions of the Internal Revenue Code of 1986, as amended (the "Code"), as to which an opinion is rendered herein and for no other reason or purpose.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the Official Statement provided to us or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement), nor have we been requested to investigate or verify, nor have we independently investigated or verified any records, data or other material relating to the financial condition or capabilities of the Issuer and have not assumed any responsibility with respect thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been authorized, issued and delivered in accordance with the Constitution and laws of the State of New Mexico and constitute valid and legally binding general obligations of the Issuer.
2. All taxable property within the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds. The Issuer is required by law to include



in its annual tax levy the principal and interest coming due on the Bonds to the extent the necessary funds are not provided from other sources.

3. Except as discussed below, the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We further are of the opinion that the Bonds are not "specified private activity bonds" and that accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under Section 57(a)(5) of the Code. In expressing the aforementioned opinions, we have relied on, and assume compliance by the Issuer with, certain representations and covenants regarding the use and investment of the proceeds of the Bonds. We call your attention to the fact that failure by the Issuer to comply with such representations and covenants may cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

Except as stated above, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

4. The interest on the Bonds is excluded from net income for New Mexico state income tax purposes.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.





The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,