



**ALBUQUERQUE
PUBLIC SCHOOLS**



Comprehensive Annual Financial Report and Audited Financial Statements – Volume 1 of 7

Fiscal Year Ended June 30, 2013

Prepared by:

The Finance Department of Albuquerque Public Schools

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**State of New Mexico
Albuquerque Public Schools**

**Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2013**

**Prepared by:
The Finance Department of Albuquerque Public Schools**

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INTRODUCTORY SECTION

ALBUQUERQUE PUBLIC SCHOOLS
Comprehensive Annual Financial Report

Year Ended June 30, 2013

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Don Moya

CHIEF FINANCIAL OFFICER

November 8, 2013

To the Board of Education and the Citizens of Albuquerque:

The Comprehensive Annual Financial Report (CAFR) of the Albuquerque Public Schools (District) for the fiscal year ending June 30, 2013 is submitted for your review. This report was prepared through an effort by the District's Accounting Office and the Independent Audit firm of CliftonLarsenAllen, LLP. The CAFR includes the unqualified opinion of our Independent Auditor. To the best of our knowledge, the enclosed data is accurate in all material respects. The information is reported in a manner designed to fairly present the financial position and the results of operations for the district as a whole as well as the various funds and account groups of the District. The CAFR for the year ending June 30, 2013, is prepared in conformance with Generally Accepted Accounting Principles (GAAP), in conformance with the standards of financial reporting established by the Governmental Accounting Standards Board (GASB) and in conformance with the Office of the State Auditor Rule 2.2.2 NMAC. The Albuquerque Public Schools is presented along with 23 component units, consisting of 20 Charter Schools, 2 Charter School Foundations, and the Albuquerque Public Schools Foundation.

Management has provided a narrative introduction, overview, and analysis to accompany the basic financial statement in the form of the Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the MD&A. The MD&A can be found immediately following the Independent Auditor's Report.

In addition to the standard distribution to governing entities and rating services, this report will be made available to the public after final approval by the Office of the State Auditor through the APS web site at <http://www.aps.edu/finance/accounting>. All efforts are intended to encourage public interest and create a greater awareness of the District's financial operations.

About the Albuquerque Public Schools

APS is New Mexico's largest school district, serving nearly a third of the state's students. The Albuquerque Public Schools provides educational services to over 88,000 students in kindergarten through 12th grade, while 20 district-authorized charter schools service approximately 5,000 students. The District consists of 142 school sites and had a student membership of more than 87,000 in the 2012-2013 school year. 89 elementary schools serve students in the kindergarten through fifth grade; 27 middle schools serve students in sixth through eighth grades; 13 high schools serve students in grades nine through 12. There are also 12 alternative schools that offer specialized services throughout the Albuquerque area.

Student achievement is the driving force behind Albuquerque Public Schools, and instruction is at the center of the District's services. More than 6,300 certified teachers and 2,000 educational assistants provide classroom instruction to students in kindergarten through 12th grade. Nearly 15 percent (13,000) of the District's students receive special education services; nearly 17 percent (14,800) are English Language Learners; and nearly two thirds (58,000) qualify for free or reduced-price meals.

The District includes 97.5% of Bernalillo County and 2.5% of Sandoval County based on assessed valuation and is geographically situated in the center of the State of New Mexico. The school district's boundaries

encompass all of the City of Albuquerque and the Villages of Tijeras, Los Ranchos de Albuquerque and Corrales. The District covers 1,230 square miles and serves 92,000 students from an estimated population of 670,893. The District is crossed by Interstate Highways 25 and 40 and is served by the Burlington North and Santa Fe Railroad and the Sunport International Airport. The District is also bisected by the Rio Grande, which provides irrigation that continues to support agriculture despite increased urbanization.

The area within the District is part of the Albuquerque Metropolitan Statistical Area (“MSA”). The Albuquerque MSA was redefined as of January 1993 to include the Counties of Bernalillo, Sandoval and Valencia. The Albuquerque MSA represents the largest commercial and industrial center in the State of New Mexico.

Facilities, Design, and Construction; Transportation Administration; and Maintenance and Operations are located at the Albuquerque Public Schools Lincoln Complex; and Central Administration and Instructional Support offices are located in the Alice and Bruce King Educational Complex.

APS Food and Nutrition Services operate out of the Rankin Complex with additional storage at the Rankin Complex. Central kitchen services are provided out of the Lincoln Complex. Recently, APS purchased a 10,000 square foot commercial building to eventually house all of the District’s Central Kitchen facilities, Student Nutrition Administration, and cold and dry storage. The building is centrally located and will provide the department with increased operating efficiency. This department provides meals to APS students, teachers, and staff; provides nutrition education in the classroom; food sanitation/safety training for APS staff; special dietary needs for children by registered staff dietitians; a “Kids’ Tasting” program; community nutrition services, summer feeding, after school snacks, and a full catering department. They also contract services to non-profit agencies and process applications for the federal Free or Reduced-Price Lunch program.

Prior to 1999/2000, the Albuquerque area was the focus of a general population growth, which translated to a significant growth in student population, however this trend has leveled after this period. A ten year period of student counts is illustrated by the following table.

Year	Albuquerque Public Schools	Charters	Total
2002-2003	85,202	2,543	87,745
2003-2004	87,625	4,269	91,894
2004-2005	86,698	5,567	92,265
2005-2006	87,328	7,362	94,690
2006-2007	88,010	6,499	94,509
2007-2008	87,392	6,740	94,132
2008-2009	87,710	6,955	94,665
2009-2010	88,035	6,792	94,827
2010-2011	88,372	5,220	93,592
2011-2012	87,597	5,024	92,621
2012-2013	87,169	5,054	92,223
*2013-2014	86,662	5,054	91,716

**Preliminary Enrollment data is based upon the 80/120 day average enrollments from the Final State Equalization Guarantee Funding Formula*

In February 2013, the community approved a three year, \$200 million, General Obligation Bond authorization for school capital outlay projects. Among the projects presented to the public were additional classroom space, education/programmatic support, health and safety code compliance, facility renewal, and education equipment refresh. This election was approved with a 79% approval rate.

In 2011 and 2012, the district used \$31.6 million of the \$225 million capacity approved in February of 2010 for the sale of Educational Technology Notes (ETNs). The proceeds from the sale of the ETNs were used to

provide a permanent funding stream for district technology needs including hardware, software and annual maintenance agreements for district enterprise resource planning systems. The District plans to include \$7-8 million in ETNs each year in the future to provide for ongoing technology costs associated with the refreshment of equipment and support and maintenance of hardware and software.

Additional property tax levies, approved by local voters, include property tax levies under SB9 for maintenance of schools and HB33 for construction projects and school technology. The SB9 levy was approved by voters in February, 2013 for a six-year period and is expected to provide approximately \$168 million over the course of the authorization. The HB33 levy was approved by voters in February, 2010, and will provide approximately \$391 million over the 6 year period of authorization. In 2008, the New Mexico State Legislature passed legislation requiring public school districts to include capital improvements funding for locally-chartered or state-chartered charter schools located within the District. The Charter School must provide the necessary information to the school district for inclusion in the resolution that identifies the capital improvements of the charter school for which the proposed revenue will be used. The effective date of the resolution was July 1, 2009, and as a result of voter approval, charter schools within the APS District share the HB33 and SB9 tax levy proceeds on a per-student, pro-rata basis.

General Obligation Bond proceeds as well as funding provided through the Public Schools Capital Outlay Council (PSCOC), Public Schools Facility Authority (PSFA), and direct legislative appropriations are used to expand and improve District infrastructure through the building of new schools and adding to existing schools to address the growth of the student population. In an effort to keep its facilities as up to date as possible, the District employs the services of a professional master planning firm to help develop its district wide Capital Master Plan. This plan is in accordance with requirements issued by PSCOC/PSFA. The firm is currently re-examining District facilities and will assist the District in upgrading the Capital Master Plan. Recommendations will be made for the location of future school sites.

Budget Process

The development of the fiscal year 2014 budget was a well-planned, orderly process that solicited stakeholder input. For the second consecutive year, Albuquerque Public Schools received a revenue increase that was driven by an improving state economy. Revenue distributed to APS through the State Equalization Guarantee (SEG) increased from \$590M in FY13 to \$614M in FY14. This SEG revenue growth was driven primarily by a 3.9% increase in the SEG unit value.

The budget process included the evaluation of priorities of available funds for provisions to educational services for APS students. In addition to the \$24M in SEG growth, APS initially assumed an increase in miscellaneous revenue of \$7M. The source of this \$7M was from a New Mexico PED proposal to remedy a Maintenance of Effort shortfall at the state level. APS' portion of that remedy was estimated at \$7M. The budget was initially built with that revenue source included in the revenue assumption. In the initial budget submittal to New Mexico PED, this \$7M revenue source contributed to a \$3M budget surplus for APS. In the final stages of the budget approval process, the NM PED requested that APS remove the \$7M in miscellaneous revenue from the FY14 budget submittal. The result of this late action is that APS went from a \$3M budget surplus position to a \$4M budget shortfall position overnight. The \$4M budget shortfall position will be managed at the district level through identification of operational efficiencies. No budget cuts were taken at the schools or in the departments to manage the late breaking budget shortfall.

Budget Preparation: The District's Budget is prepared with the focus of the goals and priorities set by the Board of Education, the District Educational Plan for Student Success (EPSS), curriculum, and public input. The 2013/2014 budget process included various public meetings held at various schools to gather public input. Work sessions were also held with the Board.

The proposed budget is presented to the Board in a public meeting for formal adoption. Pursuant to 22-8-10 NMSA 1978, the local school board sets budget priorities and the Public Education Department must approve final school district budgets.

Budgetary Control: The objective of budgetary controls is to assure compliance with the provisions of State Statute, the New Mexico Administrative Code and Board policy. In addition, budgetary controls ensure that funding appropriated by the Board meets intended goals. The level of budgetary controls (that is the level by which expenditures cannot exceed the appropriated amount) is carried down to the function level within each individual fund.

The district maintains an encumbrance accounting process as one technique to control budgets. In addition, the accounting system prevents expenditures from exceeding budget at the object code level. Budget Office management continually reviews detailed budget to expenditure report for budget maintenance. Quarterly reporting to the Board is provided at public meetings and becomes a part of the Board’s permanent, public record. These reports are public documents and are open to public inspection.

The Organization of the District

The Albuquerque Board of Education (Board) is a seven-member, elected, public body representative of seven election districts within the District’s boundaries. Each Board member is elected to a four-year term. Their authority and duties are defined in the Constitution of the State of New Mexico, State Statute section 22-5-1 to 22-5-16, NMSA, 1978 and in the related sections of the New Mexico Administrative Code (NMAC) relating to Public Schools. In general, the Board acts to set District policy, set budgets, hire a Superintendent and act upon recommendations made by the Superintendent.

The Board membership as of June 30, 2013 is as follows:

Board Member	Term Begin Date	Term End Date	Board Position
Martin Esquivel	2007	2015	President
Kathy Korte	2011	2015	Vice President
Steven Michael Quezada	2013	2017	Secretary
Lorenzo Garcia	2009	2017	Member
Dr. Donald Duran	2013	2017	Member
Dr. Analee Maestas	2011	2015	Member
Dr. David Percy	2009	2017	Member

The Superintendent is the Chief Executive Officer of the District. The duties of the Superintendent are defined in statute and the New Mexico Regulatory Code. Mr. Winston Brooks has presided over this District since June 30, 2008. Prior to assuming the position of Superintendent, Mr. Brooks was employed with the Wichita Public Schools for over 20 years where he held various positions including principal, Division Director of Human Resources and Superintendent. Mr. Brooks received his Masters and Education Specialist Degrees from Wichita State University.

In May of 2010, Superintendent Winston Brooks appointed Don Moya to the position of Chief Financial Officer. Mr. Moya has over 15 years of public school finance experience. In December 2003, Governor Bill Richardson appointed Mr. Moya to the position of Deputy Education Secretary for Finance and Operations. Mr. Moya concurrently served as the Chief Financial Officer for the New Mexico Public Education Department. As Deputy Secretary for Finance and Operations, he oversaw a \$3.4 billion annual budget and advised the Cabinet Secretary on public education fiscal policy issues. Mr. Moya directed administrative services, transportation, instructional materials, student nutrition, school budget, finance analysis, and capital outlay divisions for New Mexico’s 89 school districts and 71 charter schools. He also served as the

Cabinet Secretary’s designee on the Public School Capital Outlay Council and the Public School Capital Outlay Task Force. Mr. Moya has a Bachelor of Art Degree in Business Administration from the College of Santa Fe and holds a Level 1 New Mexico School Business Official’s License.

The Executive Director of Accounting reports to the Chief Financial Officer. Ms. Tami Coleman began with the District in January 2007 and has 23 years of public sector administrative and financial experience. Ms. Coleman holds a Bachelor of Science Degree in Accounting from National American University in Albuquerque, New Mexico and a Level II New Mexico School Business Official’s License. The Executive Director of Accounting is responsible for most business-related functions of the District including accounting, cash management, auditing and payroll. Ms. Coleman is an active Board Member of the New Mexico Association of School Business Officials (NMASBO), and is currently serving a 2-year term as Past President.

The Deputy Chief Financial Officer reports to the Chief Financial Officer. Ruben Hendrickson began with the district in December 2009 and has 26 years of private sector experience in addition to 4 years of Public Education finance experience. Before being promoted to the Deputy Chief Financial Officer position, Mr. Hendrickson was the Executive Director of Budget and Strategic Planning and also managed the Grants Management department at APS. Prior to joining APS, Mr. Hendrickson held a number of Finance Controller positions at Intel Corporation. He was the Fab 9 (factory) Finance Manager and managed a factory budget of \$400M in annual spending. He also was the Corporate Services Southwest Regional Controller, responsible for construction and sustaining activity at the Arizona, New Mexico, Texas, and Costa Rica sites. He supported an annual budget of \$1.5B in capital projects and \$500M in operational expenses for this region. Mr. Hendrickson was the Construction Projects Control manager for projects in New Mexico, Colorado, Massachusetts, and Costa Rica. Construction project volume averaged \$300M to \$400M annually at those sites. Mr. Hendrickson holds a Bachelor of Science degree in Agricultural and Managerial Economics from the University of California at Davis and holds an MBA in Finance from Stanford University.

Employee Relations

During the 2012/2013 year, the District had approximately 14,000 full time, part time and substitute employees including approximately 6,000 state certified teachers. New Mexico teachers are paid according to a legislatively established three tiered licensure system. The purpose of the three tiered licensure system is to raise minimum salaries for teachers in an attempt to provide parity with other competitive employment sectors. The three tiered salary schedule will also reward teachers for higher levels of experience and education.

FISCAL YEAR	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Average Teacher Salary	\$45,599	\$44,953	\$44,654	\$44,484	\$44,622
% of Increase		-1.4%	-0.7%	-0.4%	0.3%
Average Years of Experience	13.0	11.0	10.0	10.5	10.0

Source: PED Online Stat Books

The table above shows the trend of average salaries for the past 5 years. The slight decrease in 2009/2010 can best be attributed to a change in the average years of experience, which dropped from 13.0 years in 2008/2009 to 11.0 years in 2009/2010. The decrease in 2010-2011 is attributable to yet another decrease in the average years of experience of the teaching force from 11.0 to 10.0 years. In addition, teacher contracts were reduced by one day as a solvency measure used to balance the FY11 budget. Solvency

measures were necessary due to a reduction in district revenues as a result of the downturn in the economy. This one day reduction continued into FY12, but has been restored in FY13. In FY13 the number of teachers dropped slightly due to decreased student enrollment, but the years of teaching experience remained relatively the same.

Salary Schedules in the Albuquerque Public Schools District are considered to be competitive with those of neighboring Districts. Employee compensation packages give credit for increasing levels of education and length of service within each salary classification. In addition, the District pays for 60%-80% of employee health, life and dental benefit policies.

The Albuquerque Public Schools has maintained and reaffirmed a labor agreement with the representative of its certified employees' bargaining unit, the ATF-Albuquerque Teachers Federation. The current agreement was ratified by all parties on September 18, 2013, and will remain in full force and effect through July 1, 2014. The following is a summary of each of the organizations that represent APS employees:

Teachers Union: The Albuquerque Teachers Federation (ATF) is the professional union that represents all licensed teachers, counselors, librarians and support and related services personnel in the Albuquerque Public Schools. ATF has over 7,000 members. ATF is a union of educator professionals, representing teachers and professional support staff in all matters.

School Police: The Educational Police Officers Association represents the Districts police officers and security personnel. Approximately 42 employees are members of this Association.

Food Service Staff (CWA Local 7011): The Communication Workers of America represents all regular food service employees such as cooks, bakers, assistant cooks and bakers, food service aides, and general helpers, excluding cafeteria managers, supervisors, and clerical employees. There are 155 members in this Union.

M&O (CWA M&O Local 7070): Communication Workers of America also represents employees such as maintenance, custodial, and warehouse workers. Supervisors, secretarial and confidential employees are excluded from the bargaining unit. There are 351 members in this Union.

Educational Assistants: The Albuquerque Educational Assistants Association is affiliated with the Albuquerque Teachers Federation. This union represents educational assistants, community support liaisons and campus security assistants, and has approximately 722 members.

Secretarial/Clerical: The Albuquerque Secretarial/Clerical Association represents secretaries and clerical staff that are paid on that specific salary schedule defined in the negotiated agreement. This union represents approximately 124 members.

Services Provided

APS Student Transportation Services oversees 16 bus contractors that transport over 41,000 of the district's children each day to over 140 locations. During the 2012-2013 school year, APS used 399 contract buses and 70 additional spare buses. Collectively, APS buses travel over 6 million miles annually. School transportation is provided throughout the regular school year and during the summer for extended school year programs. In addition, transportation is provided for various school-sponsored activities. Providing transportation services involves a number of planning tasks. For general transportation, the department establishes bus stop locations and times, studies hazardous walk zones, and determines the limits of walk zones (1 mile for elementary, 1.5 for middle and 2 miles for high schools). Coordinating transportation for special education students involves determining the type of bus needed.

Transportation to activities involves planning one-time transportation for athletics, field trips, etc. The department also reviews routes on a regular basis to determine the most efficient/economical routes.

Student Transportation Department continues to experience greater demands for service. Student ridership continues to increase while funding has stabilized but the cost of providing the service has increased. Efficiencies have been realized, but at the expense of quality service to students. APS is transporting a higher volume of students with fewer buses which in turn makes for a longer travel time on a bus for both regular and special needs students. In addition, APS contractors are experiencing challenges in acquiring financing in order to purchase new equipment required by the PED.

APS Food and Nutrition Services provides healthy school breakfasts, lunches, and snacks to APS students. In addition, Food and Nutrition Services provides nutrition education and works with children who have special nutrition needs. The food service program, as an extension of the educational programs of the schools, is operated under the federally funded National School Lunch Act and Child Nutrition Act, and the National School Breakfast Act. The program serves over 75,000 meals per day (breakfast and lunch) and over 50,000 snacks a month during the school year and approximately 17,000 summer lunches per day during the summer with just over 800 employees. They also run a nutrition education and tasting program class called "Plate Investigators" that teaches kids about good nutrition.

The Special Education Department provides programs, support and technical assistance to schools with gifted students and students with disabilities. In addition, this Department provides direct services to students and is responsible for managing district responses to legal, regulatory, and budgetary matters.

Athletic and other activity programs are provided to students whose interest and desire for extracurricular experiences may lie beyond the pure academic realm. Athletics and activities sanctioned and governed by the New Mexico Activities Association are offered in grades 6-12 in the Albuquerque Public Schools. In conjunction with other local governmental and local non-profit entities, the Albuquerque Public Schools also supports community youth activities by allowing the use of school district facilities at a nominal cost to the using group.

Economic Conditions and Outlook

For the second consecutive year, APS received a revenue increase that was driven by an improving state economy. Revenue distributed to APS through the State Equalization Guarantee (SEG) increased from \$509 M in FY 13 to \$614M in FY14. This SEG revenue growth was driven primarily by a 3.9% increase in the SEG unit value.

The positive influence of defense related industries located in the District is a historical fact; however, economic diversification has increased in recent years. In addition, the mission of the Sandia National Laboratories has been changed to include non-defense research. Sandia National Laboratories is becoming a national research laboratory rather than a nuclear research facility. Sandia has entered into a number of joint research projects with private industry and has placed a major emphasis on the transfer of technology to benefit existing industries and to spawn new ones. It is hoped that this greater diversification in the role of the laboratory will also further the diversification of the area economy.

In the private sector, Albuquerque has experienced a period of employment growth from industries such as T-Mobile, Verizon Wireless, Lowes, Sitel, and Sandia and Route 66 Casinos. In addition, Albuquerque has the third highest concentration of high-tech activity after Boulder, CO and San Jose, CA. Notable technology companies in the Albuquerque MSA include Emcore, Raytheon, CVI Melles Griot, GE Fanuc Embedded Systems, and Applied Research Associates. Unemployment rates in Albuquerque MSA have been below the national average for the past five years.

Because of its accessibility and tourist facilities, the area is the gateway for tourism in New Mexico as well as an

attraction in its own right. The District includes the historic “Old Town” of Albuquerque, the Sandia Peak ski area, the Sandia Tramway, a number of nationally recognized museums and the Cibola National Forest. Other attractions include the Albuquerque International Balloon Fiesta, the National Hispanic Cultural Center, the Gathering of Nations, and the Expo New Mexico. There are also several Indian pueblos within easy driving distance that draw many tourists because of their historical significance, cultural beauty and Native American arts.

Financial Planning

District policies and procedures are in place that require the chief financial officer to manage the district’s finances and take appropriate action to ensure operational fund cash balance of at least three-percent (3%) but not to exceed five-percent (5%) of the current year’s budgeted operating expenditures for any given fiscal year.

The Capital Master Planning Department reports to the Chief Financial Officer which ensures all long term planning is done with full cooperation and collaboration of the Finance Department. The services of master planning consultants and financial advisors are used to help ensure full coordination of resources and needs of the District.

Relevant Financial Policies

The management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are reasonably protected from waste, theft, abuse or loss. Internal controls also ensure that accounting data is adequately collected and compiled to allow for the preparation of accounting reports in accordance with generally accepted accounting principles. Capital assets are identified at the time of purchase, identified upon delivery and inventoried on a yearly basis. The Accounts Payable Department assures that purchases are properly received and documented prior to payment. Issues related to the adequacy of internal controls are reviewed and changed as necessary, and policies and procedures are in place to guide staff through their daily business routines. In addition, the PED (Public Education Department) publishes and maintains a New Mexico Manual of Procedures for Public School Accounting and Budgeting. This manual will serve as a comprehensive guide for finance staff in their daily duties.

Major Initiatives and Events – Fiscal Year 2012/2013

Improved Graduation Rates

When Winston Brooks became superintendent of Albuquerque Public Schools in 2008, the district set academic targets that included a 70 percent graduation rate and a narrowing of the achievement gap. Four years later, the district hit those targets. The four-year graduation rate for the Class of 2012 was 70.1 percent, and seven out of eight demographic groups saw improved rates including Hispanics, Native Americans and African Americans.

The official district graduation rate as calculated by the New Mexico Public Education Department saw a slight increase from 63.4 percent in 2011 to 65 percent in 2012. However, the state changed the way it calculates graduation rates in 2011, including district-authorized charter schools. When extracting charter schools, for which APS has no academic oversight, the graduation rate for APS is 70.1 percent, an increase of 3.2 percent from 2011.

At the time APS set its target graduation rate at 70 percent, board-authorized charter schools were not included in the district’s calculated rate.

Thirteen out of 17 APS high schools improved their graduation rates in 2012, including 9 of the 12 comprehensive high schools and 4 of the 5 alternative high schools. The first graduating class of Atrisco Heritage Academy, the newest APS high school, saw a graduation rate of 76.9 percent.

West Mesa saw the largest percentage increase among the district's comprehensive high schools at 11.8 percent, climbing to 70 percent. The Early College Academy, one of the APS alternative schools, saw the greatest gain overall, increasing 12.5 percent to 91.7 percent.

The graduation rate for FYs 2007-2012:

2006-07 = 85.57%

2007-08 = 85.57%*

2008-09=65.1%

2009-10=64.7%

2010-11=63.4%

2011-12=65%**

**Prior to 2008-09 graduation was calculated on seniors graduating. Beginning in 2008-09 graduation is calculated based on a 4-year cohort of entering freshmen that graduate within four years.*

*** The official district graduation rate as calculated by the New Mexico Public Education Department saw a slight increase from 63.4 percent in 2011 to 65 percent in 2012. However, the state changed the way it calculates graduation rates in 2011, including district-authorized charter*

Highly Qualified Teachers

Albuquerque Public Schools ranked fifth in the nation in 2012 in the number of teachers earning National Board Certification with 51 teachers achieving the distinguished honor that year. APS has 391 teachers certified by the National Board for Professional Teaching Standards. More than half of the 93 teachers in New Mexico who earned board certification in 2012 were from APS. In addition, about half of all of the certified teachers in the state – 391 of 769 – teach in APS schools. New Mexico is ranked 23rd in the nation in the total number of Nationally Board Certified Teachers.

The National Board for Professional Teaching Standards is an independent, nonprofit, nonpartisan and nongovernmental organization that advances the quality of teaching and learning by developing professional standards for accomplished teaching. National Board Certification is a voluntary system that certifies teachers who meet high and rigorous standards.

21st Century Learning Tools

APS has partnered with Discovery Education to take science, social studies and health education into the 21st century by replacing traditional textbooks with “techbooks,” interactive tools that address Common Core State Standards, ignite student curiosity and enhance learning. Techbooks are more cost effective than textbooks, coming in at about half the price. The techbook provides anytime, anywhere, any device access. They work with any hardware the district has available – iPad, tablet, mobile device, laptop or desktop. Students and parents will have access at home as well. APS Superintendent Winston Brooks said technical literacy is key to providing students with the 21st century skill they need to compete in today's global economy.

Covering the Cost of Reduced-Price Meals

For the second year in a row, APS is covering the cost of breakfast and lunch for more than 7,000 students who typically receive school meals at a reduced price under the federal school meals program. “We all know how

important a full stomach is to a student's ability to focus and learn in class. Hunger isn't something they should have to worry about," said APS Superintendent Winston Brooks when making the announcement. It costs the district between \$300,000 and \$400,000 to cover the meal costs. The reduced price for meals had been 30 cents for breakfast and 40 cents for lunch. Nearly two thirds of APS students qualify for the federal school meals program, which provides breakfast and lunch free or at a reduced cost to families, depending on financial need.

Highly-Ranked Education Foundation

A study of public school district foundations released in 2013 ranked the APS Education Foundation number eight among the 50 largest districts in the country. The study by Dewey and Associates of Tampa, Fla., conducted the study with the purpose of comparing the education funds or foundations in how they support and enhance public education in their districts. In the past two years, the APS Foundation has raised more than \$850,000 in cash and in-kind services for four key areas: literacy, fine arts, middle and high school activities and STEM (science/technology/engineering/math).

International Baccalaureate Diploma Program

APS' Sandia High School is an authorized International Baccalaureate World School, offering the academically rigorous Diploma Program for the first time in the fall of 2013. Sandia is the only comprehensive high school in the state of New Mexico with an IB Diploma Program. Though housed at Sandia, all qualified students in Albuquerque are encouraged to apply. IB, a non-profit educational foundation, offers a standardized, internationally recognized diploma in more than 3,000 schools in 139 countries.

Dual-Credit

More than 2,000 students took 297 dual-credit courses in 2012-13, earning both high school and college credit. In the fall of 2013, Albuquerque Public Schools expanded this opportunity for students by opening a dual-credit high school on the campus of the Central New Mexico Community College. College and Career High School offers a rigorous curriculum with half of the day spent in high school classes and the other half in college classes. Students are expected to graduate with a high school diploma and an associate's degree, college certificate or enough college credits to enter a university as a junior. Credits earned at the new school will be transferable to universities and count toward a bachelor's degree. There is no tuition for college classes and no textbook costs.

Community Growth: APS spends over \$350 Million a year on new construction, renovations and repairs. From 2006 – 2011, most new school facility construction was on the west side, where Albuquerque was experiencing the most growth. Over a 5 year period, APS opened nine new schools including two high schools, a middle school, five elementary schools and an alternative school. All but two of the new schools were built on the west side. The projects were funded with taxpayer supported general obligation bonds and mill levies.

In the current capital Strategy (2011 – 16), emphasis has shifted to renewal, rejuvenation and rebuilding of aging existing educational infrastructure located mostly in the established areas of the district. The share of educational technology (hardware/infrastructure/software) as a component of the CMP has also risen dramatically from 6% in 2006 to 24% currently

The latest projects include:

I. Completed projects from January 2012 to now include:

1. Zuni Elementary School - A cafeteria/kitchen renovation, electrical upgrades, and site improvements for \$1.6 million have been completed.

2. E.G. Ross Elementary - Administration expansion, loop road improvements, electrical, lighting upgrades, and health and safety projects have been completed for \$1.2 million
3. Hoover Middle School - A cafeteria/kitchen renovation and addition, gym and locker room upgrades, and HVAC improvements are under way and expected to be completed by December 2013 for \$1.2 million.
4. Wherry Elementary School - New parking and drop off improvement and a classroom addition have been completed for \$3.1 million.
5. Atrisco Heritage Academy High School final Phase – AHA, as it is affectionately known, is located in far southwest Albuquerque, and opened its ninth grade academy in December 2008. It opened one grade at a time in subsequent years until all four grades were opened in August 2012. Enrollment for 2012-13 school year was 2,413 students. The final total cost for the school is \$132 million.
6. Westside Stadium-Football stadium, track & field, softball field, tennis court with a cost of \$36 million. Completed in August 2013
7. Inez Elementary School - Kindergarten addition and Fine Arts classroom, renovation of existing buildings, drainage/site improvements with a cost of \$3.5 million. Completed September 2013.
8. Montessori of the Rio Grande Charter School Classroom Building at a cost of \$3.6 million and completed in August 2013.
9. McKinley Middle School science classroom renovation and classroom at a cost of \$1.4 million and completed in May 2013.
10. South Valley Academy Charter construction of administration, classrooms, and media center at a cost of \$8 million completed October 2013

II. Ongoing projects include:

1. McKinley MS classroom replacement at a cost of \$6.2 million and estimated completion date September 2014 2013.
2. Ecademy alternative school Phase II construction of a cafeteria is planned for completion in March 2014. In addition, this projection will have achieved constructing the new Evening HS, renovating Freedom HS and New Futures HS for a total cost of \$5.8 million dollars.
3. Adobe Acres Kindergarten addition and cafeteria estimated date of completion is 2014 at a cost of \$4.4 million.
4. Chaparral Elementary School - Classroom, Cafeteria replacement Site traffic improvements, site development plan at a cost of \$15.9 million. Estimated completion date is August, 2014.
5. Mitchell Elementary School Kitchen/cafeteria renovation and addition at a cost of \$ 1.3 million and estimated date of completion March 2014.
6. Monte Vista Roofing, restrooms and refurbishment at cost of \$1.4 million and anticipated date of completion January 2014.
7. Sandia Base Cafeteria/Kitchen addition and remodel at a cost of \$1.1 million and estimated date of completion Fall 2014.
8. Douglas MacArthur ES construction of kindergarten/preschool addition, art/music classroom addition and kitchen/cafeteria addition and remodel. At a cost of \$4.3 million and estimated date of completion August 2014.
9. Dolores Gonzales ES Kindergarten, art/music classroom remodel, cafeteria expansion and restroom remodel to be complete in August 2014 at a cost of \$6.3 million.
10. Sandia High School - With a budget of \$22 million, the site will be master planned, receive a new science/math classroom building, new library, landscaping, site stabilization, infrastructure upgrades, and athletic field reconstruction. Estimated completion date is August, 2014.
11. El Dorado High School flat work to be complete September 2014 at a cost of \$2.4 million. This is to prepare for a \$4.4 million project to renovate the math, humanities and fine arts building by July 2015.
12. Del Norte High School replacement of main classroom building and new student commons area and demolition of old building and portables complete in 2012. Ongoing portion of the project is the new

kitchen/cafeteria and construction of industrial fine arts building. Total project cost is \$58 million. Final phase anticipated date of completion is 2014.

13. Rio Grande HS classroom replacement at a cost of \$25 million and anticipated date of completion August 2015.
14. West Mesa HS classroom replacement at a cost of \$17 million and anticipated completion date of August 2015.
15. Valley HS classroom replacement at a cost of \$8 million and anticipated date of completion August 2015.
16. Mountain View ES – replacement of older buildings constructed prior to 1977 with new construction and relocation of playground and portables for \$11.7 million and date of completion Fall 2015.
17. Reginald Chavez ES - Construction of a kindergarten addition with four classrooms, hallway, corridor to building No. 4, a staff restroom, and storage space for \$7.4 million and anticipated date of completion Fall 2015.
18. Marie Hughes ES – construction of new classrooms, loop road, additional parking, MDP upgrade, cafeteria/kitchen relocation, and restroom renovation for \$7.6 million and anticipated date of completion Fall 2015.
19. Central Kitchen Plant – construction of central kitchen and storage to serve the entire District for \$14.2 million and anticipated date of completion December 2014.
20. Wilson MS renovation of main 1953 2-story building for classrooms and administration at a cost of \$8.2 million and anticipated date of completion spring 2015.
21. Aztec Complex Special Education and Autism Center at a cost of \$7.6 million at estimated date of completion March 2016.
22. Career Enrichment Center classroom block at a cost of \$5 million and estimated date of completion October 2015.
23. Ernie Pyle classroom addition, renovation and HVAC work at a cost of \$5.6 million and anticipated date of completion Fall 2015.
24. Atrisco ES classroom replacement for \$9.9 million and anticipated date of completion Fall 2015.
25. Arroyo Del Oso ES – Administration remodel and expansion for \$1 million and anticipated date of completion Fall 2015.
26. Collet Park ES – Administration expansion and kindergarten addition for \$5 million and anticipated date of completion Fall 2015.
27. RFK Charter – Construction of a permanent facility to include, Multi-purpose gym, auto body shop/painter shop and media center. Expansion of drives and parking to support this construction is included for a cost of \$4.9 million and anticipated date of completion Spring 2015.

III. New Schools:

1. A new SW PreK-8th grade school is anticipated to open August 2015 at a cost of \$45.8 million to mitigate existing overcrowding & projected growth in the southwest of Albuquerque.

IV. Educational Informational technology

1. APS dedicates over \$24 million a year on educational IT including \$12 million for computer hardware refresh for schools

V. Other Educational Equipment

1. Music & Art – \$5 million over 6 years for school musical instruments, band/choir uniforms and other fine arts equipment to schools
2. Furniture Replacement - \$ 1 million a year in school furniture replacement
3. Science Equipment - \$ 3 million over 6 years for school science equipment
4. School Improvement Funds (SIP) - \$14 million district wide over 6 years for individual school discretionary capital equipment

On February 2, 2010 voters approved a \$616 million bond issue and mill levy with a focus on refurbishing and rebuilding old schools, most of which are more than 40 years old. All projects undertaken by this funding are either completed or started, and all obligations have been fulfilled or are in the process of being fulfilled.

A Two Mill levy and General Obligation Bond election was passed in 2013 with a 79% majority authorizing \$368 million, most of which is going directly to facility maintenance, brick and mortar construction/design and Educational Technology. \$200 million has been authorized by the General Obligation Bond and \$168 million by the Two Mill Levy. The main focus of the current CMP plan is to renew, refurbish and rebuild old schools and provide new educational and instructional technology. The next Mill Levy/Bond election will be in February 2016.

The APS Capital Master Plan continues to provide facilities for charter schools. New facilities were just completed for South Valley Academy and Montessori of the Rio Grande. A facility for Robert F. Kennedy Charter School is currently under construction.

Accounting and Financial Information

This written analysis and the accompanying financial report will indicate that Albuquerque Public Schools is in sound financial health. Indicators such as Aa1 bond rating (Moody's Investor Services), AA long term rating (Standard & Poor's), balanced budgets, significant cash balances and strong budgetary management contribute to and are indicators of a positive financial direction and strong, stable management. This is further explained in the Management Discussion and Analysis.

Independent Audit

State Statute requires the independent audit of public schools on an annual basis. The audits are defined and governed by regulations issued by the New Mexico Office of the State Auditor (NMAC 8.1). Regulations require that a large public entity cannot contract with an auditor for more than six consecutive years. This audit is our second with CliftonLarsonAllen, LLP. The hiring and contracting of the Independent Auditor is made in accordance with the State of New Mexico Procurement Code Chapter 13, NMSA 1978, State Auditor regulations and Albuquerque Public Schools Board Policy. The scope of the audit is designed to meet the state and federal requirements set forth in the State Auditor's regulations. In addition, the District includes district-authorized charter schools in its audit and financial statements as component units.

Awards and Acknowledgements

We believe that APS's current comprehensive annual financial report continues to meet the Governmental Finance Officer's Association's (GFOA's) Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for a certificate.

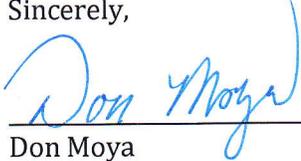
In addition, we believe that APS's CAFR will meet the requirements of the Certificate of Excellence in Financial Reporting offered by the Association of School Business Officials International, and will submit also submit the document for their certification.

The preparation and publication of this Comprehensive Annual Financial Report could not have been possible without the assistance, participation and cooperation of the entire Finance Division staff. Special notes of appreciation are extended to the District's Operational Controller, David McCarty, and Senior Accountant, Mark Turnbull, for their efforts in providing and preparing the information used for this CAFR. A note of appreciation is also made to the other departments of the District for their willingness to participate in providing information for this report.

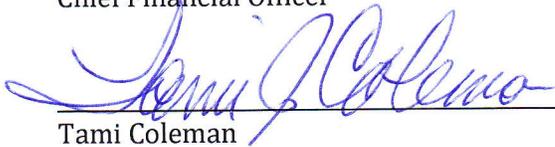
In Closing

We are pleased to present the APS Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2013. The Albuquerque Public Schools' community deserves the highest quality instruction, outstanding academic programs, and comprehensive student development supports to prepare our city's youth for the challenges they will face in an increasingly complex and diverse world. Equally important, the Albuquerque Public Schools' community deserves relevant financial information and sound fiscal controls that will result in greater accountability to its taxpayers, legislators and government entities that serve the needs of its students. APS will endeavor to meet both goals.

Sincerely,



Don Moya
Chief Financial Officer



Tami Coleman
Executive Director of Accounting

STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
JUNE 30, 2013

Official Roster

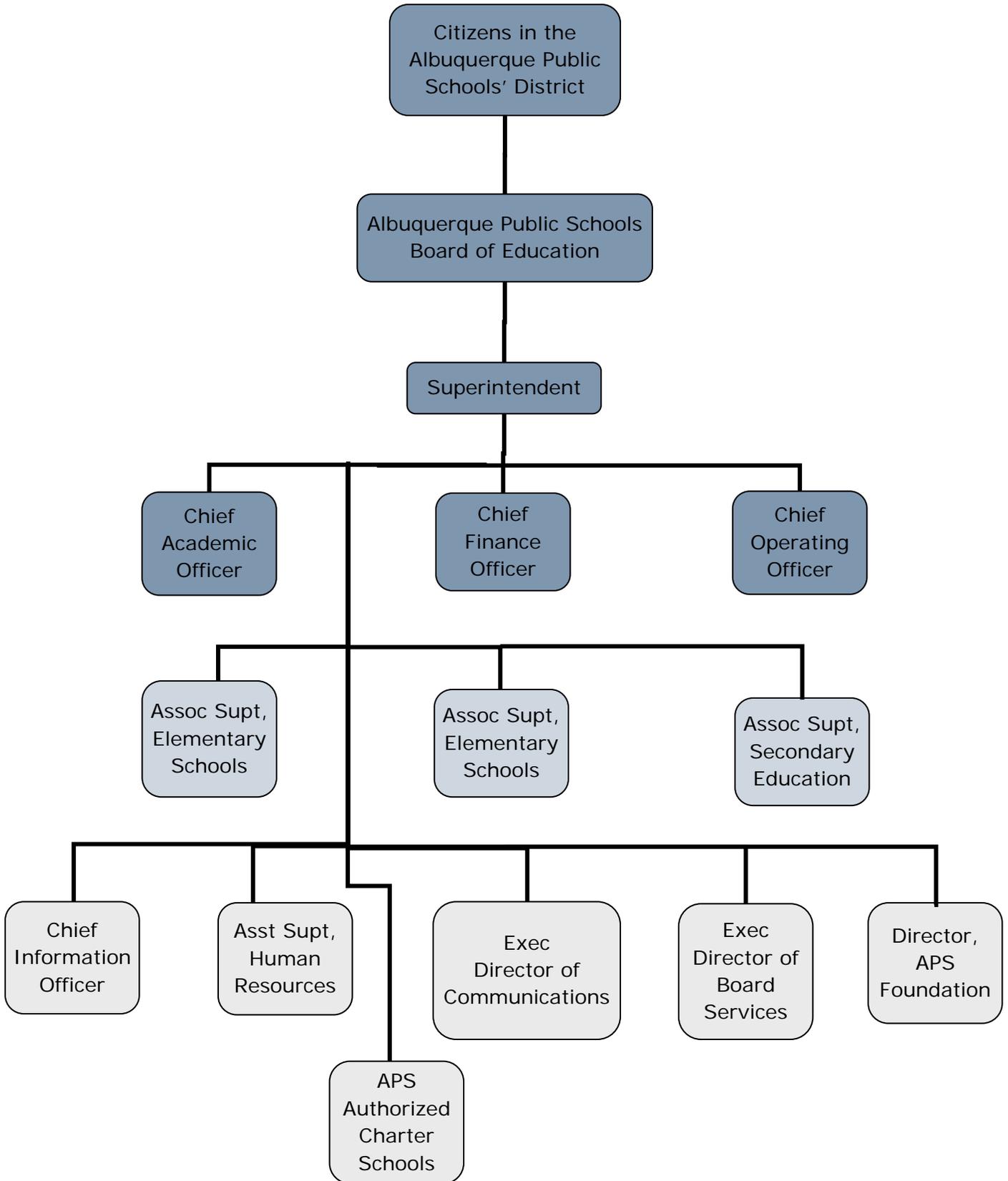
Board Of Education

Martin Esquivel	District 4	President
Kathy Korte	District 2	Vice President
Steven Michael Quezada	District 5	Secretary
Analee Maestas	District 1	Member
Lorenzo Garcia	District 3	Member
David Percy	District 7	Member
Don Duran	District 6	Member

School Officials

Winston Brooks	Superintendent
Don Moya	Chief Financial Officer
Tami Coleman	Executive Director of Accounting

Albuquerque Public Schools



FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

State of New Mexico
Albuquerque Municipal School District No. 12
To the Board of Education and
Hector H. Balderas
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue funds of Albuquerque Municipal School District No. 12 (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the District's nonmajor governmental funds, internal service fund and the budgetary comparisons for the major capital project funds, debt service funds, and all nonmajor funds, the fiduciary fund and each discretely presented component unit presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund and the internal service fund of the District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective and the budgetary comparisons for the major capital project funds, debt service funds, and all nonmajor funds, the fiduciary fund and each discretely presented component unit for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages vi-1 through vi-22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, introductory and statistical sections, and the other schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of

America. In our opinion, the *Schedule of Expenditures and other schedules required by 2.2.2 NMAC* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 8, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

Albuquerque, NM
November 8, 2013

Management's Discussion and Analysis

The following management's discussion and analysis provides an overview of the Albuquerque Public School's (District) financial activities for the fiscal year ended June 30, 2013. The document is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the School District's financial activity, (c) identify changes in the School District's financial position, (d) identify any material deviations from the financial plan (approved budget), and (e) identify financial issues or concerns. Please read it in conjunction with the School District's financial statements, which begin following this analysis.

Management's Discussion and Analysis is a required part of the School District's and the discretely presented component unit's financial reporting and is an objective and easily readable discussion of the School District's financial activities. The reader will see two statements, a Statement of Net Position and a Statement of Activities. These statements provide the overall view of the financial activities of the School District. This discussion and analysis will provide a review of the School District's overall financial activities, using the full accrual basis of accounting, for the year ending June 30, 2013. Fund financial statements are reported on a modified accrual basis of accounting. Rather than looking at specific areas of performance, this discussion and analysis focuses on the financial performance of the School District as a whole. Whenever possible this discussion and analysis will provide the reader multi-year pictures of financial performance and other pertinent information through the use of tables and other graphic information.

This annual report consists of a series of detailed, audited financial statements, supplementary information and the notes to those statements. Albuquerque Public Schools Finance Department staff prepared these statements, and accompanying supplementary information. Also included is the Independent Auditors' Report, 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*, Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and a Schedule of Findings and Questioned Costs.

Financial Highlights

The Albuquerque Public Schools District is the 34th largest school district in the United States and the largest school district in New Mexico. Of the total student membership of 331,769 in the State of New Mexico, 92,223 or 28% attend the Albuquerque Public Schools and its charter schools. The School District encompasses the majority of Bernalillo County and a small section of Sandoval County. There are 141 school sites within the School District; 89 Elementary Schools, 27 middle Schools, 13 high schools and 12 alternative schools. In addition there are 20 charter schools chartered by the Albuquerque Public Schools Board of Education.

The School District is responsible for elementary and secondary education within its geographical borders. The voters elect the members of the District's governing board which is financially

accountable for the District by approving the District's budget, levying taxes, if necessary, and approving any debt issuances.

Twenty-one District-authorized charter schools are responsible for providing elementary and secondary education within the District. Each charter school is managed independently by its own governing board. The Albuquerque School District is liable for any operating deficits (to date the charter schools have not experienced any material operating deficits). The charter schools are presented as discretely presented component units in the District's Financial Statements.

All charter school operating revenues are passed through the school district to the charter schools located within the school district. Two percent of the charter school revenues are retained by the school district for administration purposes. Because the revenues are passed through the school district to the charter schools, Governmental Accounting Standards Board Standards 14 and 39 require that the APS chartered schools be treated as "component units" and included within the scope of the School District's Independent Audit and financial statements.

The FY13 budget includes an \$8M increase in SEG revenues, but most of that increase was used to cover the cost of a temporary retirement plan swap between employer and employee contributions. The revenue increase was insufficient to cover the cost of increased fixed costs and other costs such as teacher salary tier migration increases. District leadership faced a \$4.7M shortfall, but rather than mandate cuts, the decision was made to tap into cash reserves and to identify other cost cutting measures during the school year. By following this strategy, they were able to avoid cuts to the classroom in FY13.

In FY14, SEG revenues increased by 3.9% or \$24.0 M. The SEG funding increase in FY14 is the largest annual increase since FY08, not adjusted for increases in fixed cost and inflation. Expenditures in FY14 increased by 4.7%; the largest contributors include an increase in the employer contribution rate toward educational retirement and health/medical contributions, a 1% salary increase for all employees, and \$1.0M for additional special education teacher FTE and benefits driven by increased special education enrollment.

The Albuquerque Public School District maintains a strong Moody's Aa1 rating and Standard and Poor's (S&P) AA rating. These ratings reflect the highest ratings given to a school district in New Mexico and compare favorably with the City of Albuquerque (Moody's Aa2; S&P AAA) and Bernalillo County (Moody's Aa1; S&P AAA). The School District also was given a "good" financial management rating from Standard and Poor's.

On August 2, 2012, APS re-funded general obligation bonds in the amount of \$42.6 million with the issuance of \$39.7 million in new debt. The bonds refunded are Series 2005, \$10.3 million; Series 2004, \$14.3 million; and Series 2006C, \$18.0 million. Net savings on this refunding was \$3,359,330.

On August 29, 2012, APS sold \$13 million in Educational Technology Notes. This funding will be used for educational technology needs including infrastructure through the District. This sale is part of the \$225 million authorization approved by voters in February 2010.

The *Statement of Net Position* shows the School District's total assets as of June 30, 2013 totaled \$1,707,502,576 including cash assets of \$370,208,567. High levels of cash assets are in place to fund ongoing and planned school facility construction projects, and to support the District's self-insured components of Risk Management. As of June 30, 2013 the School District's self insurance reserve fund totaled \$29,776,690 which placed the medical reserve at an amount significantly in excess of being 100% funded and the risk reserve at a 90% actuarial confidence level.

Overview of the Basic Financial Statements

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) governmental funds financial statements and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Each of the government-wide financial statements relates to functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District are all related to public education.

The government-wide financial statements can be found on pages 1-2 of this report.

Governmental Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are divided into three categories: governmental funds, internal service funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable

resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. The Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position (Exhibit B-1) and the Reconciliation of the Statement of Revenues/Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit B-2) provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains 10 individual major governmental funds and numerous non-major governmental funds. In the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures and changes in fund balances, separate columns are presented for the major governmental funds while the non-major funds are combined and presented in a single column. Individual account data for each of the District bonds is presented in the foot notes in Note 8. The non-major governmental funds are provided in the form of combining statements elsewhere in this report.

The District adopts an annual budget for its governmental and internal funds type. Budgetary comparison statements have been provided for the governmental funds to demonstrate compliance with the budget. The governmental fund financial statements for the major funds can be found on pages 3-14 of this report.

Internal Service Fund: The District created an internal service fund in fiscal year 2007 for the purpose of providing increased visibility, recording and tracking of transactions related to medical and dental health plans, workers' compensation, property and liability insurances and claims. In prior years these transactions were reported within the Operational Fund. The Insurance Fund was created at June 30, 2007 with the transfer of related cash balances and liability reserves. The activity for the 2012-2013 Fiscal Year is recorded in the Internal Service Fund, and can be seen in the statements on pages 15-17.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statements can be found on page 18 of this report.

Notes to Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 19 of this report.

Combining and Individual Fund Schedules and Statements. The combining schedules and statements showing the individual District capital accounts and other non-major governmental

funds are presented immediately following the notes to the financial statements. Combining and individual fund schedules and statements can be found starting on page 86 of this report.

Government-Wide Financial Statements

Statement of Net Position (Excluding Component Units)

This statement shows that as of June 30, 2013, the School District (excluding charter schools and the Albuquerque Public Schools Foundation) has total net position of \$1,074,598,143 as compared to net position of \$958,458,132 as of June 30, 2012. The School District had \$374,655,432 in cash and other current assets on hand as of June 30, 2013, and accounts payable/current liabilities and current long-term debt of \$137,060,900. Cash assets increased by \$4,678,802 (1.3%) while Other Current Assets decreased by 225,485 (4.8%). The increase in cash was attributable in part to the sale of General Obligation Education Technology bonds (\$ 13 million). The increase in Capital Assets net of depreciation (\$49,723,573) is mostly explained by completion of major construction projects. Long Term Liabilities have decreased from \$534,681,723 as of June 30, 2012, to \$495,843,533 (6.4%) as of June 30, 2013. Restricted fund balance increased from \$180,258,261 to \$215,729,900 (19.7%) due to the District's efforts towards its Capital Master Plan. "Unrestricted" net position increased from \$65,141,990 to \$88,024,887.

Statement of Net Position	30-Jun-13	30-Jun-12
Assets		
Cash Assets	\$ 370,208,567	\$ 365,529,765
Investments	-	-
Other Current Assets	4,446,865	4,672,350
Bond Issuance Costs	1,767,925	1,799,108
Restricted Receivables	52,396,483	55,114,952
Capital Assets	2,031,647,200	1,909,564,750
Depreciation	(752,964,464)	(703,240,891)
Total Assets	\$ 1,707,502,576	\$ 1,633,440,034
Liabilities		
Accounts Payable	\$ 3,747,565	\$ 2,424,617
Other Current Liabilities	60,534,689	64,731,280
Insurance Reserves	15,740,988	27,601,445
Current Portion/Long Term Debt	49,934,267	41,696,078
Liabilities payable from restricted assets	7,103,391	3,846,759
Long Term Liabilities	495,843,533	534,681,723
Total Liabilities	\$ 632,904,433	\$ 674,981,902
Net Position		
Invested in Capital Assets	\$ 770,843,356	\$ 713,057,881
Restricted	215,729,900	180,258,261
Unrestricted	88,024,887	65,141,990
Total Net Position	\$ 1,074,598,143	\$ 958,458,132

The Statement of Activities is prepared using the full accrual method of accounting. This report complements the Statement of Net Position by showing the overall change in the School District's

net position for the fiscal year ended June 30, 2013. In the fiscal year ended June 30, 2013, net position increased by \$116,140,011 as opposed to a decrease of \$10,504,391 in the previous year. The significant increase in the Changes in Net Position in FY 2013 is largely attributable to the capitalization of Public School Capital Outlay awards (\$83 million).

Revenues	2013	2012
Program Revenues		
Charges for Services	\$ 47,422,462	\$ 50,989,776
Operating Grants and Contributions	147,552,001	123,904,939
Capital Grants and Contributions	10,178,265	9,815,264
Total Program Revenues	<u>205,152,728</u>	<u>184,709,979</u>
General Revenues		
Taxes-General, Debt Service, Capital Projects	150,708,181	148,599,076
Public School Capital Outlay Council Awards	82,925,067	-
State Aid not Restricted to Specific Purposes	590,190,332	583,644,192
Interest and Earnings in Investments	611,473	345,439
Gain/loss on Disposal of Capital Assets	179,810	18,847
Miscellaneous	1,226,329	2,292,502
	<u>825,841,192</u>	<u>734,900,056</u>
Total Revenues	<u>1,030,993,920</u>	<u>919,610,035</u>
Program Expenses		
Instruction	415,372,893	408,175,829
Support services:		
Students	70,996,531	68,193,329
Instruction	20,736,095	19,729,947
General Administration	5,225,441	4,989,105
School Administration	41,382,284	40,296,414
Central Services	97,013,609	112,688,877
Operation & Maintenance of Plant	64,842,630	59,583,864
Student Transportation	18,160,713	17,528,079
Other Support Services	724,660	1,382,419
Food Services Operation	31,785,794	31,612,152
Community Services	3,766	4,870
Facilities, Supplies & Materials	61,072,398	45,588,518
Interest on long-term debt	22,019,051	21,733,146
Depreciation - unallocated	65,518,044	66,993,533
Total Program Expenses	<u>914,853,909</u>	<u>898,500,082</u>
Changes in Net Position	116,140,011	21,109,947
Net Position Beginning	958,458,132	937,348,185
Net Position Ending	<u>\$ 1,074,598,143</u>	<u>\$ 958,458,132</u>

Fund Financial Statements

Statement of Revenues and Expenditures and Changes in Fund Balances

Fund financial statements are based on a modified accrual basis of accounting. The Statement of Revenues and Expenditures and Changes in Fund Balances is not a new statement to the School District's annual financial reports. This report guides the reader to a meaningful overall view of the District's revenues, expenditures, and fund balance and changes to the fund balance. This report also shows the revenue and expenditure activities of each major fund and the total of all "other" Governmental Funds. Total revenues from State, Local and Federal sources were \$917,903,548. With the addition of \$531,251 in Interest Income, total revenues increased to \$918,434,799. Other Financing Sources (Bond Activities) added \$27,714,937 resulting in current resources for the year of \$946,149,736. Total expenditures for the School District were \$943,480,494. The total ending Fund Balance, \$300,818,480 is an increase of \$2,669,242 from the prior year.

Multi-Year District Revenues and Expenditures

Total revenues for FY 2013 increased \$57 million compared to FY 2012 driven by a \$ 31 million increase in State, Local and Federal funding and a \$26 million increase in other financing sources.

Year	Total Revenues ¹	Increase % (Decrease)	Total Expenditures ¹	Increase % (Decrease)
2007/2008	998,132,245	9.71%	981,787,311	17.16%
2008/2009	1,275,481,903	27.79%	1,240,263,988	26.33%
2009/2010	977,694,273	-23.35%	1,045,072,104	-15.74%
2010/2011	1,099,133,052	12.42%	984,429,132	-5.80%
2011/2012	888,661,015	-19.15%	906,500,987	-7.92%
2012/2013	946,149,736	6.47%	943,480,494	4.08%

¹Revenues include proceeds from general obligation bonds sales in each respective year. Cash carryovers are excluded and expenditures include capital outlays.

The Budget

The State of New Mexico school budget process is defined under New Mexico State Statutes (Section 22-8, *Public School Finance*) and the New Mexico Administrative Code (Section 6.20.2 *Governing Budgeting and Accounting for New Mexico Public Schools and School Districts*). During the 2009/2010 fiscal year, APS moved from a site-based to a district-based budgeting process. Schools are provided funding based on a formula that is driven by student enrollment. Schools are also provided with additional "discretionary" funding based on their level of at risk factors (free lunch participation, mobility, English language learners). School principals then work with their staff and site councils to develop a detailed site budget.

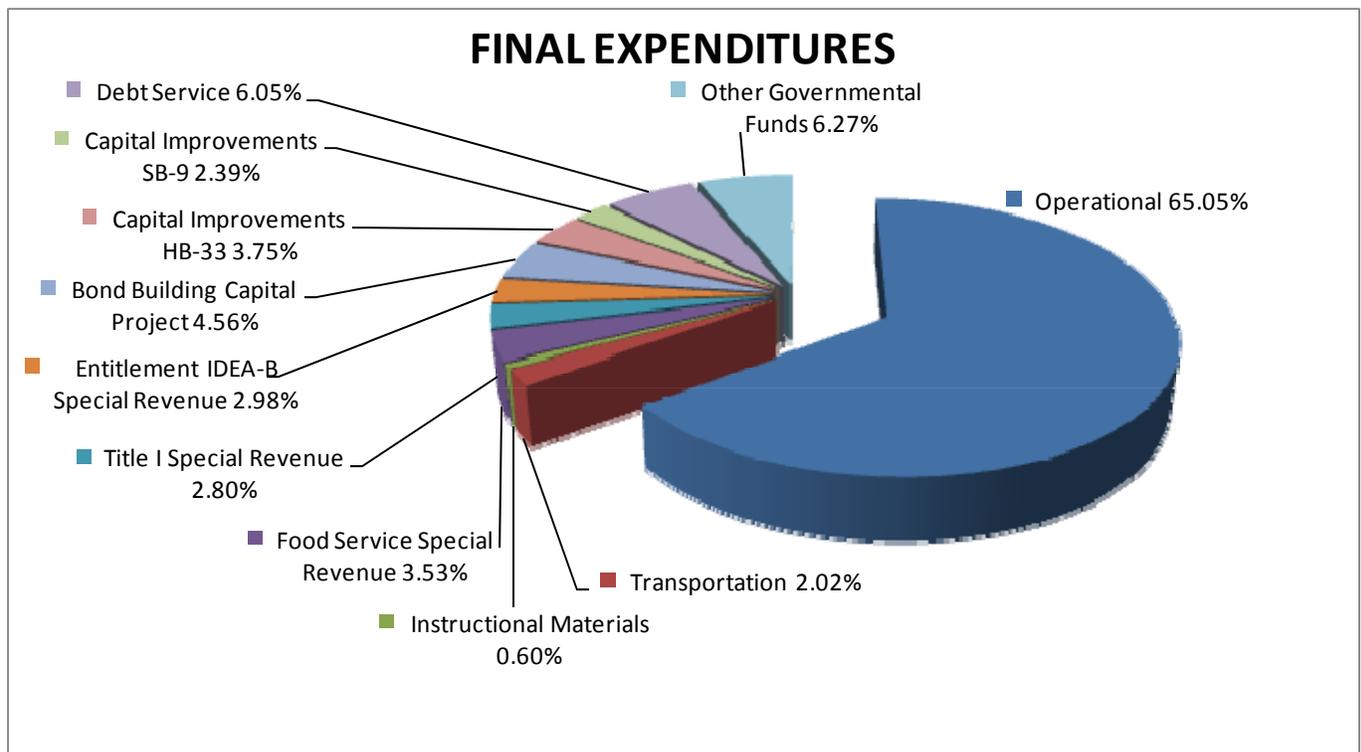
GASB 34 does not require a combining statement presenting the overall District result of the budget for each year; however, all major budgetary funds are required to be reported as separate statements.

The District had 76 active major and non-major funds at June 30, 2013. The 10 major budgetary funds in these reports are:

Operational Fund	Instructional Materials
Food Service	IDEA-B
Title I - IASA	Capital Improvements SB-9
Capital Improvements HB-33	Debt Service
Bond Building	Pupil Transportation

In addition, 60 active, non-major Special Revenue Funds, and 5 non-major Capital Projects funds and 1 non-major Educational Technology Debt Service fund are also reported for their budgetary performance.

The following graphic shows the fiscal relationship of the major funds and the combined non-major funds presented on a budgetary basis.



The Operational Fund Final Expenditures represent 65.05% of the total expended dollar amount. This fund provides the salary and benefits for the significant majority of the Instructional, Instructional Support and School Support, Maintenance and Administrative staff as well as classroom materials, special education consulting staff and fixed utility costs. Revenue from this fund is substantially derived from the State Equalization Guarantee, which is the funding formula appropriated for education by the State Legislature. The Operational Fund is discussed later in the *Management Discussion and Analysis*.

Major Funds-Analysis of Fund Balances

Fund Type	Fund Balance: June 30, 2012	Fund Balance: June 30, 2013	Variance
Operational	\$ 29,029,456	\$ 34,816,563	\$ 5,787,107
Transportation	(381)	-	381
Instructional Materials	321,585	1,635,847	1,314,262
Food Service Special Revenue	13,723,598	16,107,070	2,383,472
Bond Building Capital Project	66,464,758	18,848,819	(47,615,939)
Capital Improvements HB-33	56,708,702	75,882,733	19,174,031
Capital Improvements SB-9	45,884,695	56,070,337	10,185,642
Debt Service	58,624,175	55,498,581	(3,125,594)
Total	\$ 270,756,588	\$ 258,859,950	\$ (11,896,638)

The overall fund balances of these major funds have decreased by \$11.9 million. The Operational Fund is showing the effect of a successful effort to increase cash balance by realizing a reduction in total expenditures. The Transportation Fund balance should always be as low as possible as 50% of this balance on a cash basis reverts to the Public Education Department. Instructional Materials funds have greatly diminished over the past five years, and so every dollar counts in this area. The Food Services Department is accumulating resources in anticipation of moving into their new facilities over the next couple of years. A building has been purchased, and as renovations are completed, these funds will be used to furnish facilities and upgrade equipment as needed. This move will centralize all District Food Services operations in one location. The Bond Building Fund has naturally decreased as there has not been an issuance of new bonds in this fiscal year, but funds have been spent on on-going projects. Mill levy funds have increased by \$33 million due to a pause in some types of spending as we re-prioritize projects identified in our Capital Master Plan. Debt service fund balance has increased in proportion to obligations due in the short term.

The Operational Fund

The Operational Fund is the School District's largest fund. Because the Operational Fund budget for the period ending June 30, 2013 was \$630,500,594, the significant impact of this fund on School District Operations must be kept in context.

The Operational Fund is predominately funded by revenues from the State Equalization Guarantee (SEG) formula. This fund pays for teaching staff, teaching support staff, special education support staff, maintenance staff and administrative staff. The Operational Fund also provides the predominant funding for athletics. State public school support funding for school district operations increased by 1.01% for the year ended June 30, 2013. As shown in the *Operational Fund Statement of Revenues, Expenditures and Changes in Fund Balances – Budget*, the Operational Fund began the year with an initial expenditure budget of \$626,483,987 and had a final budget of \$630,500,594. This increase was primarily due to the difference between estimated and actual cash balance that carried forward from the previous year.

Because of the student growth experienced by the School District, an emphasis placed on schools by the New Mexico Legislature, and because the State Equalization Guarantee Formula is based upon student populations, the Operational Fund had always realized increases in revenues, up until the 2007/2008 year as seen in the following table. The current decline in overall operational funds available is the result of the current economic conditions.

Operational Fund Revenues (Including ARRA Stabilization Funds)

Year	Revenues	Increase %
2007/2008	622,284,142	5.50%
2008/2009	631,994,302	1.60%
2009/2010	632,311,218 ¹	0.10%
2010/2011	615,332,851 ²	-2.70%
2011/2012	598,347,440 ³	-2.80%
2012/2013	607,350,045	1.50%

¹ Includes Federal ARRA Stabilization Funds of \$54,203,625

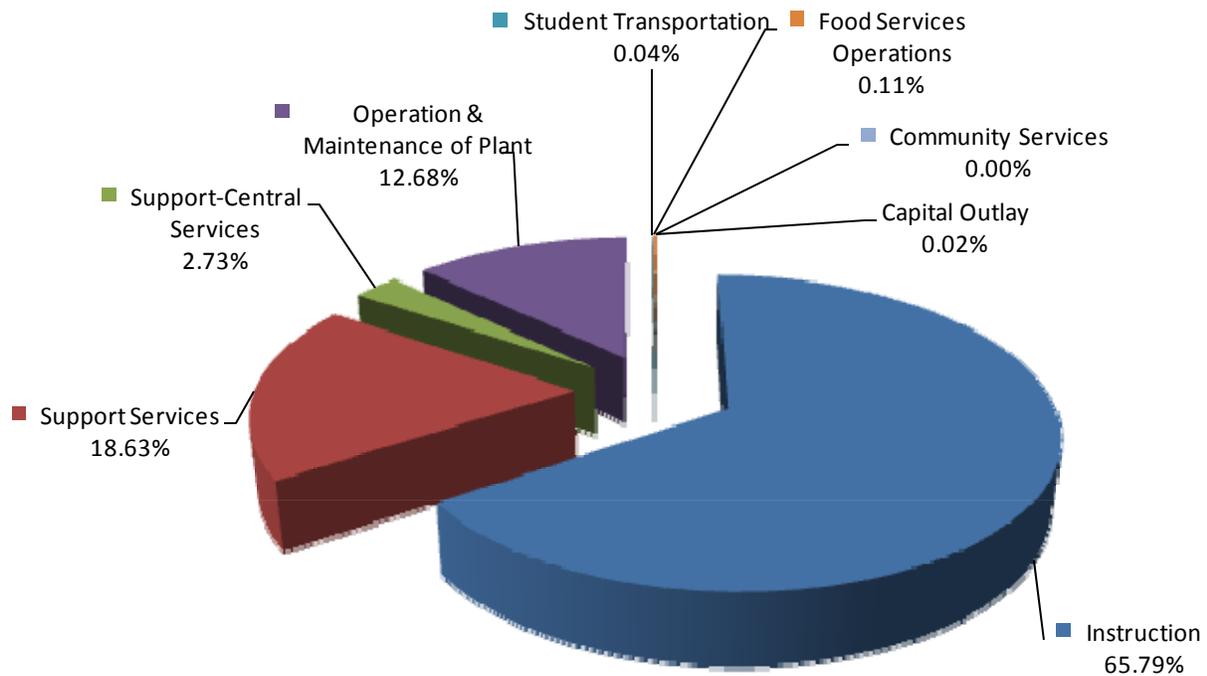
² Includes Federal ARRA Stabilization Funds of \$23,284,057

³ Includes Federal ARRA Stabilization Funds of \$246,094

Because the Operational Fund is the main fund whose expenditures are significantly related to the educational process, \$600,427,852 was expended in the year ending June 30, 2013. The most significant expenditure was for the function noted as "Instruction". This expenditure was \$395,042,574 or 65.7% of all Operational Fund expenditures. Expenditures included in this function are Regular Education teachers, Special Education teachers, Early Childhood Education teachers and educational assistants, staff benefits, payroll taxes, school supplies, training and miscellaneous instructional related contract services. In addition, \$74,638,175 or 12.4% was expended from the "Support Services-Students" and "Support Services-Instruction". The expenditures in these two functions are directly in support of classroom and school activities. Charges to these functions include the related expenditures for librarians, nurses, social workers, counselors and special education support staff. Less than 1% of the Operational budget was used for general administration, 5.3% was used for school administration, and 2.73% was used for Central Services which includes Business Support, Warehouse Support, and Informational Technology.

The following discussion on the Operational Fund budget will relate functional expenditures for the year ending June 30, 2013 for the Operational Fund. Instruction for APS represents 65.7% of all Operational Fund expenditures and compares favorably with the state-wide ratio for Instruction of 62%.

Operating Fund Expenditures by Function FY 2012-2013



Operational Fund Expenditures by Function

Function	Original Budget	Final Budget	Expenditures	Variance	Percentage Expenditure ¹	Average for State ²
1000-Instruction	\$ 408,828,847	\$ 410,021,230	\$ 395,042,574	\$ 14,978,656	65.79%	62%
2100-Support –Students	61,430,196	61,419,745	54,004,275	7,415,470	8.99%	10%
2200-Support –Instruction	23,743,794	25,947,764	20,633,900	5,313,864	3.44%	3%
2300-Support-Administration-General	5,160,232	5,155,232	4,078,430	1,076,802	0.68%	2%
2400-Support-Administration-School	31,697,560	31,701,519	32,126,946	(425,427)	5.35%	6%
2500-Support-Central Services	19,012,295	19,012,295	16,409,430	2,602,865	2.73%	3%
2600-Operation & Maintenance of Plant	73,751,667	73,773,652	76,113,329	(2,339,677)	12.68%	13%
2700-Pupil Transportation ³	412,899	412,899	226,808	186,091	0.04%	0%
2900-Non Operating ⁴	1,868,472	1,868,472	1,038,851	829,621	0.17%	0%
3100-Food Services Operations ⁵	487,731	1,087,731	658,488	429,243	0.11%	0%
3200-Community Services	9,000	9,000	3,766	5,234	0.00%	0%
3140-Capital Outlay	81,294	91,055	91,055	-	0.02%	0%
Total	\$ 626,483,987	\$ 630,500,594	\$ 600,427,852	\$ 30,072,742	100.00%	

¹Percentage of expenditures to total expenditures.

²Source PED Statistical Data, New Mexico Financial Statistics - Estimated Actual 2011-2012.

³ Operational fund expenditure for pupil transportation only

⁴ Non-Operating includes emergency reserve and legal settlement budgets. Expenditures are generally not incurred

⁵ Operating costs not normally incurred by this fund within this function.

Source PED Statistical Data, New Mexico Financial Statistics - Estimated Actual 2012-2013.

The following two tables expand the comparison between the ratios of APS and the State for the Operational Fund expenditures for the last three year period. The first table outlines the comparative functional expenditures for the three year period; the second details the resulting ratios.

Functional Expenditures ^{1,2}	2010-2011		2011-2012		2012-2013	
	APS	Statewide	APS	Statewide	APS	Statewide
1000-Direct Instruction	\$ 397,976,068	1,420,261,188	389,690,915	1,447,175,034	\$ 395,042,574	N/A
2100-Support-Students	36,487,959	198,408,626	59,461,032	227,070,565	54,004,275	
2200-Support-Instructional	20,960,509	62,324,397	20,302,026	64,347,339	20,633,900	
2300-General Admin	4,583,275	48,038,112	4,062,128	46,338,795	4,078,430	
2400-School Admin	32,035,795	151,906,777	31,326,651	152,305,960	32,126,946	
2500-Central Services	18,728,706	81,336,710	16,093,413	76,011,113	16,409,430	
2600-Oper/Maintenance Plant	72,755,642	300,868,328	70,927,225	308,210,767	76,113,329	
2700-Pupil Transportation	132,294	3,679,180	225,396	3,290,559	226,808	
2900-Non-Operating	365,711	1,567,866	1,309,460	4,239,638	1,038,851	
3100-Food Services	454,533	3,104,333	404,057	2,574,735	658,488	
3300-Community Services	4,146	2,241,970	5,643	2,424,545	3,766	
4000-Capital Outlay	95,474	3,726,392	80,954	2,140,696	91,055	
TOTALS	\$ 584,580,112	\$ 2,277,463,879	\$ 593,888,900	\$ 2,336,129,746	\$ 600,427,852	
Functional Ratios						
1000-Direct Instruction	68.08%	62.36%	65.62%	61.95%	65.79%	N/A
2100-Support-Students	6.24%	8.71%	10.01%	9.72%	8.99%	
2200-Support-Instructional	3.59%	2.74%	3.42%	2.75%	3.44%	
2300-General Admin	0.78%	2.11%	0.68%	1.98%	0.68%	
2400-School Admin	5.48%	6.67%	5.27%	6.52%	5.35%	
2500-Central Services	3.20%	3.57%	2.71%	3.25%	2.73%	
2600-Oper/Maintenance Plant	12.45%	13.21%	11.94%	13.19%	12.68%	
2700-Pupil Transportation	0.02%	0.16%	0.04%	0.14%	0.04%	
2900-Non-Operating	0.06%	0.07%	0.22%	0.18%	0.17%	
3100-Food Services	0.08%	0.14%	0.07%	0.11%	0.11%	
3300-Community Services	0.00%	0.10%	0.00%	0.10%	0.00%	
4000-Capital Outlay	0.02%	0.16%	0.01%	0.09%	0.02%	
TOTALS	100.00%	100.00%	100.00%	100.00%	100.00%	

¹Albuquerque expenses are actual; taken from APS audited financial statements, Non-GAAP Budgetary Basis schedules.

²Statewide expenses are actual; taken from PED statistical information.

Support services for students and instruction represents 12.4% of Operational Fund expenditures and accounts for expenditures for program coordinators, counselors, school nursing staff, librarians, special education ancillary staff and significant support to special education programs through contract ancillary support staff and contract programs. General Administration and Central Services represents the overhead support for the entire operations of the School District; these programs combined represent 4% of the total Operational Fund. Central Services includes Business support, Technology, and Warehousing Services. Maintenance and Operations account for 11.9% of the Operational Fund expenditures. Included in the Maintenance and Operations

expenditures are salaries and benefits for maintenance staff, school custodians, fixed utility costs, maintenance and repairs, maintenance supplies and school custodial supplies. Additional support for maintenance supplies and projects comes from the voter approved Two-Mill Levy Fund (SB-9). The SB-9 fund is a critical and integral fiscal component of the School District's Maintenance program. The Operational Fund also supports expenditures for school athletics and summer school in the Instruction function.

Administrative Costs

To allow the reader to compare the performance of the Albuquerque Public Schools with the performance of all school districts within the State of New Mexico, additional statistical information concerning state wide performance has been added to the above budget tables. In addition, the following table compares the Operational Fund costs associated with General Administration and Central Services to those of the state wide average. This information shows that the School District's expenditure in these functions is lower than the state wide average. The information used for this data is from Public Education Department final expenditure fiscal data for the period ending June 30, 2012.

Comparative Administrative Costs 2011-12

School District	Gen Administration	School Administration	Central Services	Total
APS 2012-2013	0.68%	5.35%	2.73%	8.76%
State Average 2011-2012	1.98%	6.52%	3.25%	11.74%

Source: PED – New Mexico Finance Statistics; Final Expenditure Report, June 30, 2012

Self Insurance Benefits and Reserve Funds

Sections 22-29-1 thru 10, NMSA, mandate that school districts and charter schools are to be included in the New Mexico Public Schools Insurance Authority (NMPSIA). The statutory language also allows school districts in excess of 60,000 students to be "waived" from participation in Insurance Authority programs. As a result, the School District funds and administers its own employee benefit and risk management programs as a self insured program. However, the charter schools are included in the NMPSIA program.

Because of an interest in providing lower cost insurance to school employees state-wide, an independent study was conducted to determine the feasibility of combining the APS programs with the Insurance Authority programs. The independent study, commissioned by APS and the Insurance Authority, was completed in January 2007 and concluded that the inclusion of APS into the Insurance Authority would lead to significant cost increases to the Insurance Authority, APS and a large number of APS employees.

As part of the self insurance program, the School District maintains reserve funds for Medical, Dental and Vision Benefits, Risk and Workers Compensation based upon periodic actuarial studies. The School District considers these funds to be "restricted" and the funds are accounted

for within an Internal Service Fund. Effective June 30, 2013, balances for the self insurance reserves were as follows:

<u>Fund</u>	Reserve	Confidence level
Health, Dental & Vision Benefits	\$ 11,105,000	100%
Workers Compensation	11,802,231	90%
Property/Liability	6,869,459	90%

A confidence level is the statistical certainty that an actuary believes funding will be sufficient. For example, a 70% confidence level means that the actuary believes funding will be sufficient in seven years out of ten.

These reserves were carried forward into the 2013/2014 fiscal year and are deemed sufficient to meet requirements. The District's annual health insurance premium adjustment is implemented on January 1st of each year. On January 1, 2013, premiums increased for the first time in 3 years by 2% based on actuarial data which includes current health care cost trends. Effective January 1, 2014 medical insurance premiums will increase by 5%; dental insurance will increase by about 7%.

Capital Assets

GASB 34 requires public entities to depreciate capital assets. Utilization of depreciation concepts by public entities allows the reader to know if the entity is replacing its assets at a rate in which they are being used. The Albuquerque Public Schools utilizes a "straight line" depreciation method in all cases and standardized lifetime tables in calculating this depreciation.

Historically and in accordance with prior State Statute, State Regulations and School Board Policy, all assets with a value in excess of \$1,000 were capitalized. Effective July 1, 2006, this amount was increased to \$5,000 by State Statute. The District continued to capitalize all assets with a value in excess of \$1,000 through June 30, 2010. All assets on the books as of July 1, 2010 with a cost between \$1,000 and \$5,000 will remain on the District's inventory list and continue to be subject to depreciation rules for the life of the asset. Effective July 1, 2012 the district began capitalizing only equipment with a value in excess of \$5,000 in accordance with state statute. In addition, effective July 1, 2010, the District began tracking all computers regardless of value in response to a State Auditor directive that all computer hard drives be certified as "sanitized" or destroyed prior to disposal.

As of June 30, 2013, the School District capital assets had a book value of \$1,278,682,736 after depreciation. This statement includes total accumulated depreciation of the School District's capital assets in the amount of \$752,964,464 (see Note 7).

Because of student growth and certain aging facilities, the School District has taken a planned and focused approach towards investing in equipment and building new facilities as well as adding to and maintaining existing facilities. These efforts are evidenced by the substantial and continuous investment in the Capital Outlay accounts.

The following table displays a two-year history of year-end balances for the School District's investment in all capital assets:

Capital Asset Type	Balance June 30, 2012 ¹	Balance June 30, 2013 ¹
Land and Land Improvements	\$ 180,854,417	\$ 182,439,694
Buildings and Building Improvmts	1,518,782,173	1,605,839,631
Furniture, Fixtures and Equipment	75,611,209	63,596,967
Intangibles	15,889,216	15,889,216
Vehicles	13,882,142	14,247,690
Construction in Progress	104,545,593	149,634,002
Total Capital Assets	1,909,564,750	2,031,647,200
Less Accumulated Depreciation	(703,240,891)	(752,964,464)
Capital Assets – Net	\$ 1,206,323,859	\$ 1,278,682,736

¹ Amounts shown in dollars

In the fiscal year ending June 30, 2013, the *Statement of Revenues, Expenditures and Changes in Fund Balances* included capital outlay additions of \$75,470,713. This amount included expenditures of \$314,000 from the IDEA-B Entitlement Fund; \$41,822,918 from the proceeds of the Bond Building Fund; \$22,488,607 was expended from the HB-33 fund for capital improvements and \$7,364,622 was expended from SB-9 funds. All three of these funds are authorized by local election. Also, \$3,389,511 was expended from non-major funds. The Operational Fund had capital outlay expenditures of \$91,055. Total capital asset additions include the following:

Capital Outlay	75,470,713
Assets charged to other functions	700,765
Public School Capital Outlay Council Awards	82,925,067
Total Capital Asset Additions	<u>\$ 159,096,545</u>

General Long Term Debt

Article IX, Section 11 of the New Mexico Constitution limits the powers of a school district to incur general obligation debt beyond a school year. The School District can incur such debt for “the purpose of erecting, remodeling, making additions, and furnishing buildings or purchasing or improving school grounds or purchasing computer software or hardware for student use in public classrooms or any combination of these purposes.” The approval of the debt is subject to a vote of the local electors and may not exceed 6% of the assessed valuation of the taxable property within the School District. In accordance with the assessed valuation limitation calculation, APS long term debt may not exceed \$878,758,217.

To this point, the School District has not maintained a level of indebtedness to the maximum extent allowed. However, due to the need to add additional facilities in order to meet student population growth demands, upgrade and expand existing facilities, and to leverage additional funds available from Public School Capital Outlay, the voters approved a \$225 million dollar bond authorization on February 2, 2010. An additional bond authorization of \$ 200 million was approved by the voters on February 5, 2013. These bonds will be sold over a three year period

and will increase the indebtedness in 2016 to an estimated 70% of the maximum debt limit allowed for by law.

During the fiscal year ending June 30, 2013, the School District issued \$13.0 million in General Obligation Education Technology notes as part of the \$225 million authorization approved by the voters in February 2010. During this same period the District refunded \$42.6 million in General Obligation Bonds with the issuance of \$39.7 million of new debt. The School District maintained a Moody's Aa1 rating and an S&P AA rating for the September 2010 and August 2012 bond sales. Effective July 1, 2003, School District bonds are also permitted to carry the *enhanced* State of New Mexico bond rating of Aa2. This action was authorized in Senate Bill 847. The effect of this bill will be to reduce the risk to bond holders and, as a consequence, reduce the interest costs to the taxpayer.

The School District has never defaulted on any of its debt or other obligations. Listed below is the School District's total general obligation debt as of June 30, 2013.

Series	Original Amount Issued	Maturity	Principal Outstanding
2001 GOB	\$50,850,000	8/1/2016	\$ -
2004 GOB	28,010,000	8/1/2020	750,000
2004 QZAB	4,625,000	8/1/2020	1,668,825
2005 GOB	21,375,000	8/1/2014	-
2006 QZAB	7,160,000	8/1/2020	2,994,614
2006C GOB 10/2006	63,980,000	8/1/2021	11,760,000
2007 GOB 12/2007	75,000,000	8/1/2022	47,450,000
2008B GOB	134,000,000	8/1/2023	110,000,000
2009 General Obligation Bonds (2009A)	124,700,000	8/1/2022	91,600,000
2009C QSCB	14,300,000	8/1/2024	14,300,000
2009D Refunding	16,800,000	8/1/2018	14,545,000
2010A GOB Regular Bonds	85,410,000	8/1/2021	77,400,000
2010B GOB QSCB	32,690,000	8/1/2027	32,690,000
2010C GOB BAB	31,900,000	8/1/2024	31,900,000
2011 GOB Refunding	8,940,000	8/1/2016	6,020,000
2011 Education Technology Notes	18,600,000	8/1/2015	14,310,000
2012 Refunding	39,670,000	8/1/2021	39,670,000
2012 Education Technology Notes	13,000,000	8/1/2017	13,000,000

For additional information on long term debt please see Note 8.

The School District recommends the *Official Statement* dated August 21, 2013, to a reader wishing to know more about the School District's long term debt and community demographics. This Official Statement may be obtained on our website at

<http://www.aps.edu/finance/accounting/official-bond-statements> , or by contacting the School District's Financial Advisor:

RBC Capital Markets
6301 Uptown Blvd. NE, Suite 110
Albuquerque, NM 87110

In addition to the sale of General Obligation Bonds, the School District is eligible to receive awards from the Public Schools Capital Outlay Council (PSCOC) in accordance with Senate Bill 513, Chapter 147 Section 10(b) NMSA. The impact of these various awards is discussed throughout this *Management Discussion and Analysis*.

Charter Schools

Because the operations of the charter schools are not material to the overall financial performance of the Albuquerque Public Schools, charter schools are only included in this section of the analysis. Charter school organization and management is set forth under Sections 22.8B.1 through 15, NMSA. This section of the law allows for charter schools to be formed and funded within an existing school district under specific criteria. The Albuquerque Board of Education is responsible for the review and approval of charter school applications; however, a denial of an application allows for an appeal process to the Public Education Department. Each charter school is governed by a governing body identified in the charter. The charter school governing body is responsible for the operation of the charter school including "preparation of a budget, contracting for services and personnel matters."

Because of the complexity of the rules and accounting requirements of Public Education Department, many charter schools find varying degrees of difficulty and challenges. The Albuquerque Public Schools, the New Mexico Coalition of Charter Schools, and the New Mexico Association of School Business Officials are all working to provide support and training for these schools.

The following table lists all Charter Schools active during the fiscal year ending June 30, 2013 and the summary of their fiscal performance. This information is summarized for each school on the *Combined Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds* (GAAP). The stated fund balance is the final, adjusted, fund balance for all governmental funds for the fiscal year end June 30, 2013. The statement shows the performance of each individual school's combined governmental funds on a GAAP basis.

Charter School Name	Year Chartered	Grades	FY 12-13			Total Final EOY Fund Balance ¹
			End-of-Year Student Count	FY 12-13 Total Revenue ¹	FY 12-13 Total Expenditures ¹	
21st Century Public Academy	2000	5-8	243	1,930,894	2,039,269	(282,053)
Academia de Lengua y Cultura	2001	6-8	79	909,601	1,070,582	6,540
Albuquerque Talent Development Secondary Charter	2007	9-12	135	1,529,319	1,519,718	180,829
Alice King Community School	2006	K-5	315	2,436,032	2,436,946	170,537
Christine Duncan's Heritage Academy	2006	K-8	107	1,394,060	1,405,761	262,223
Corrales International Charter School	2008	K-8	214	2,315,131	2,290,376	236,756
Digital Arts & Technology Academy	2002	9-12	289	2,681,292	2,780,544	624,758
El Camino Real Academy	2002	K-12	338	4,102,522	3,982,635	89,358
Gordon Bernell Charter School	2008	9-12	469	4,470,602	4,217,787	451,388
La Academia de Esperanza	2001	6-12	327	4,371,487	4,467,828	576,062
Los Puentes Charter School	2002	7-12	146	2,361,738	2,177,504	281,262
Montessori of the Rio Grande	2004	PreK-6	198	1,759,155	1,716,547	206,125
Mountain Mahogany Community School	2005	K-8	202	1,585,858	1,576,873	188,897
Native American Community Academy	2006	6-12	361	3,969,884	3,844,800	53,459
Nuestros Valores Charter School	2001	9-12	107	1,439,779	1,371,106	78,707
Public Academy for Performing Arts	2001	6-12	363	3,059,375	2,851,633	277,746
Robert F Kennedy High School	2001	9-12	154	3,139,004	3,225,436	89,021
School for Integrated Academics and Technologies	2004	9-12	210	2,661,733	2,499,281	266,317
South Valley Academy	2000	9-12	241	3,401,856	3,458,939	470,287
The Bataan Military Academy	2006	9-12	107	1,406,250	1,325,348	197,504

¹Amounts shown in dollars

One of the more significant challenges facing charter schools is the quality of the existing charter school facilities. The State of New Mexico has mandated that charter schools occupy public facilities by the 2015 school year. Debate is currently ongoing as to how that mandate will be funded and implemented as this deadline has been extended at least once from its original deadline. Included in the options is the lease purchase financing of school facilities. The constitutional prohibition on lease purchase financing was removed by the voters as a result of the general election on November 7, 2006. It is anticipated that further legislative definition of this capital project financing tool will take place during future legislative sessions.

APS Education Foundation

The Albuquerque Public Schools Education Foundation is a 501(c)(3) charitable organization established in 1995 that raises private support for academic programs within the district. In addition to providing help to the 92,000 schoolchildren and 12,000 staff members of the district, the Foundation serves as a fiscal agent for a variety of programs. In 2009, the Foundation established the Horizon Campaign, a fundraising effort aimed at providing financial supplements to Fine Arts, Literacy, Science/Technology/Engineering/Math (STEM) and Middle School/High School Activities programs operated by the district. Through this campaign, the Foundation has

raised more than \$850,000 in cash, in-kind donations, and pledges. This Foundation's financial statements are discretely presented in this report as a component unit.

Agency Funds

School sites, as custodians, maintain and monitor special funds on behalf of the school activity groups. These agency funds maintained by the schools are intended to benefit a specific activity or interest and are generally raised by students for student use. The total of these funds is \$5,408,733.

While each school site is the custodian and responsible for the administration of the agency funds at the specific school sites, the use of these funds is in accordance with School District Policy and Public Education Department Regulations. The management of these funds is directed by the school principal and the funds are also subject to annual review by the School District's Internal Audit Department.

Future Trends

The Economy and Public School Funding: In New Mexico, the general operation of school districts is principally funded by the State through an allocation formula known as the State Equalization Guarantee (SEG). State legislators convene annually and determine the amount of funds to be allocated within the State for educational purposes. The principal resources to the State that are available for allocation include the Gross Receipts Tax and the Severance Tax (a tax on extracted natural resources).

The international economic crisis that began in 2008 has significantly impacted New Mexico. Over time, the Gross Receipts Tax had proven itself to be a reliable source of State and local revenue due to sustained economic growth since New Mexico's economy has consistently expanded from year to year for well over fifty years. New Mexico's current economic crisis has ended that growth and the Gross Receipts Tax has contracted in the last year.

The Severance Tax, however, is more volatile because it is more closely tied to the global pricing of natural resources such as oil and natural gas. Because of decreased prices for oil and natural gas resources, state revenues have shown a significant decrease over the past couple of years.

The New Mexico economy will recover over time. The Gross Receipts Tax will rebound and the prices for oil and natural gas have already begun to rebound.

State Equalization Guarantee Funding History

The following table indicates the statewide funding of SEG along with the amount allocated to the District for the past five years.

Fiscal Year	Statewide ¹	APS District ¹
FY2007-08	2,273,283,900	607,660,123
FY2008-09	2,331,045,045	621,262,717
FY2009-10	2,281,026,198 ²	610,595,016 ²
FY2010-11	2,222,903,684 ³	601,789,251 ³
FY2011-12	2,227,294,667	583,644,192 ⁴
FY2012-13	Not available	590,190,332

¹ Amounts shown in dollars.

² Statewide and APS includes \$ 188,888,604 and \$ 54,203,625 of Federal ARRA Stabilization Funds respectively

³ Statewide and APS includes \$ 44,111,247 and \$ 23,284,057 of Federal ARRA Stabilization Funds respectively

⁴ Statewide and APS includes \$ 953,267 and \$ 249,094 of Federal ARRA Stabilization Funds respectively

Operational funding of public schools for the 2012/2013 school year was again affected by the diminishing resources of New Mexico, and the country. Some of the difference in the annual rates of growth is attributable to formula factors applied in deriving the allocation to each district. For example, if a school district's student population grows at a rate that is different than the anticipated statewide growth, then that district's SEG would reflect the difference caused by the underlying change in student population ratio. Additional formula factors include students in need of special education, bilingual classes, or special attention to deter students at risk of dropping out. Another significant formula factor is the education and experience level of instructional staff.

Teacher Salaries: Beginning with FY2004-05 the District began implementing a three year phase in of a state mandated three tier salary schedule for teachers throughout the State. Based on a combination of education and experience, each teacher is placed within one of the three tiers in the plan. The first tier of Level I teachers were funded at a minimum salary of \$30,000. In 2005/2006, the legislature funded the increase of the Level Two teacher salary to a minimum of \$40,000. Beginning with the 2007-2008 fiscal year, the minimum salary for a Level 3 teacher was increased to \$50,000. It is anticipated that these increases in salaries will attract and retain high quality teaching staff. The Fiscal Year 2012-13 budget provides for 12,360 FTE. In this total, 6,172 FTE teachers are budgeted. The following is a seven year summary of average teacher salaries.

Year	Average Salary ¹	Experience
2006-07	42,789	10.7 years
2007-08	43,380	11.1 years
2008-09	46,569	12.9 years
2009-10	46,504	11.0 years
2010-11	44,915	10.3 years
2011-12	46,116	12.1 years
2012-13	46,129	10.0 years

¹ Amounts shown in dollars.

Source: PED, New Mexico Finance Statistics

Local Assessments

General Obligation Bonds: Local property taxes serve as the revenue source for the repayment of general obligation bonds. Because of the growth of both residential and commercial assessed valuation for properties in the Albuquerque School District, the School District has undertaken an aggressive expansion program to add additional classroom space in the District. The following table illustrates the growth of the assessed valuation for the Albuquerque School District.

Valuation Table

Tax Year	Albuquerque Public Schools ¹
2006	12,079,222,249
2007	13,182,532,511
2008	14,244,852,529
2009	15,100,118,203
2010	14,669,473,949
2011	14,703,596,631
2012	14,645,970,276
2013	14,492,037,500

¹ Amounts shown in dollars.

Source: *Official Statement* Dated August 21, 2013

Because of continued development in both the residential and commercial properties in the School District, it is expected that future assessed valuations will continue to increase. It is also expected that voter support for the Albuquerque Public Schools will continue to be strong and revenues from General Obligation Bond proceeds will continue to be an integral part of the School District *Capital Master Plan*.

On Feb. 2, 2010, voters approved a \$616 million bond issue and mill levy with a focus on refurbishing and rebuilding old schools, most of which are more than 40 years old. All projects approved in 2005-06 school tax funding elections are either completed or started, and all obligations fulfilled or are in the process of being fulfilled. A large focus of the last School Capital Plan was to catch up with growth areas and overcrowded schools. The main focus of the latest plan is to renew, refurbish and rebuild old schools and provide new educational and instructional technology. This plan will also begin to provide some facilities for charter schools.

Contacting the Albuquerque Public Schools

This financial report is designed to provide our community, taxpayers, investors and creditors with an overview of the Albuquerque Public School District's financial condition and to provide accountability for the funds the School District receives. If you have questions about our report or about the operations of the Albuquerque Public School District, please visit our web site at www.aps.edu, or contact:

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State of New Mexico
Albuquerque Municipal School District No. 12

Exhibit A-1

**Statement of Net Position
6/30/2013**

	Governmental Activities	Component Units
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 121,108,227	10,898,654
Restricted cash and cash equivalents	74,548,813	-
Investments	-	1,976,526
Accrued interest	-	8,549
Receivables (net of allowance for uncollectibles)	1,007,150	948,963
Restricted receivables	30,576,380	-
Prepaid expenses	50,000	131,092
Inventory	3,389,715	-
Total current assets	230,680,285	13,963,784
Noncurrent Assets		
Restricted cash and cash equivalents	174,551,527	-
Restricted receivables	21,820,103	-
Beneficial interest in remainder trust	-	2,335,652
Bond issuance costs (less amortization of \$1,085,421)	1,767,925	-
	198,139,555	2,335,652
Capital assets (not being depreciated):		
Land	53,293,112	1,500,000
Water rights	-	-
Construction in progress	149,634,002	327,037
Capital assets (net of accumulated depreciation):		
Land improvements	129,146,582	-
Buildings and building improvements	1,605,839,631	11,972,762
Furniture, fixtures and equipment	77,844,657	2,644,749
Intangibles	15,889,216	-
Less: accumulated depreciation	(752,964,464)	(3,552,790)
Total Capital assets	1,278,682,736	12,891,758
Total noncurrent assets	1,476,822,291	15,227,410
Total assets	\$ 1,707,502,576	29,191,194
LIABILITIES		
Current liabilities:		
Accounts payable	3,747,565	184,320
Accrued expenses	50,902,767	2,528,278
Unearned revenue	35,725	2,688,609
Accrued interest	8,301,433	-
Insurance reserves, IBNR claims	15,740,988	-
Current portion of compensated absences	1,294,764	156,343
Current portion of long-term debt	49,934,267	196,277
Liabilities payable from restricted assets	7,103,391	-
Total current liabilities	137,060,900	5,753,827
Noncurrent liabilities:		
Compensated absences	2,589,529	-
Net OPEB obligation	316,763	-
Bonds due in more than one year	478,901,539	-
Long-Term portion of debt	-	11,042,340
Long-Term portion of claims payable	14,035,702	-
Total noncurrent liabilities	495,843,533	11,042,340
Total liabilities	632,904,433	16,796,167
NET POSITION		
Net investment in capital assets	770,843,356	1,653,141
Restricted for:		
Debt service	67,283,741	-
Capital projects	148,446,159	-
Other purposes	-	4,803,662
Unrestricted	88,024,887	5,938,224
Total net position	1,074,598,143	12,395,027
Total liabilities and net position	\$ 1,707,502,576	29,191,194

Statement Of Activities
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position	
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units
Primary Government						
Governmental activities:						
Instruction	\$ 415,372,893	\$ 2,511,627	\$ 62,700,807	\$ -	\$ (350,160,459)	
Support services:						
Students	70,996,531	5,926,353	3,097,345	-	(61,972,833)	
Instruction	20,736,095	-	36,705	-	(20,699,390)	
General Administration	5,225,441	-	-	-	(5,225,441)	
School Administration	41,382,284	-	30,797,736	-	(10,584,548)	
Central Services	97,013,609	30,365,275	11,938	-	(66,636,396)	
Operation & Maint. of Plant	64,842,630	-	4,938,864	-	(59,903,766)	
Student Transportation	18,160,713	-	18,630,008	-	469,295	
Other Support Services	724,660	-	-	-	(724,660)	
Food Services Operation	31,785,794	8,619,207	27,338,315	-	4,171,728	
Community Services	3,766	-	-	-	(3,766)	
Facilities, Supplies & Materials	61,072,398	-	283	8,334,963	(52,737,152)	
Interest on long-term debt	22,019,051	-	-	1,843,302	(20,175,749)	
Depreciation - unallocated	65,518,044	-	-	-	(65,518,044)	
Primary Governmental Activities	\$ 914,853,909	\$ 47,422,462	\$ 147,552,001	\$ 10,178,265	\$ (709,701,181)	
Component Unit Governmental Activities	\$ 53,679,668	\$ 270,036	\$ 10,963,437	\$ 497,023	\$ -	
Total Governmental Activities	\$ 968,533,577	\$ 47,692,498	\$ 158,515,438	\$ 10,675,288	\$ (709,701,181)	

General Revenues:

Property taxes:

Levied for general purposes	4,804,381	-
Levied for debt service	62,214,506	-
Levied for capital projects	83,689,294	1,388,771
Public Sch Capital Outlay Council Awards	82,925,067	350,751
State Equalization Guarantee	590,190,332	40,352,130
Interest & Investment Earnings	611,473	191,101
Gain/Loss on disposal of capital assets	179,810	-
Transfers	149,113	(153,959)
Miscellaneous	1,077,216	187,950
Total general revenues	825,841,192	42,316,744
Change in net position	116,140,011	367,572
Net position-beginning as previously stated	958,458,132	10,107,286
Component unit restatement (See Note 18)	-	1,920,169
Net Position - beginning	958,458,132	12,027,455
Net Position - ending	\$ 1,074,598,143	\$ 12,395,027

State of New Mexico
Albuquerque Municipal School District No. 12

Balance Sheet
Governmental Funds
June 30, 2013

	General Fund		Special Revenue Funds			
	Operational	Pupil	Instructional	Food	Title I	IDEA-B
	11000	Transportation	Materials	Service	IASA	Entitlement
	13000	14000	21000	24101	24106	
ASSETS						
Cash and Cash Equivalents	\$ 60,609,940	\$ -	\$ -	14,212,515	\$ -	\$ -
Investments	-	-	-	-	-	-
Accounts receivable						
Taxes	536,067	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Interfund receivables	26,491,708	-	-	-	-	-
Other	471,083	-	-	-	-	-
Prepaid expenses & other assets	50,000	-	-	-	-	-
Inventory	1,889,539	-	-	1,500,176	-	-
Restricted cash and cash equivalents	-	-	780,381	-	-	-
Restricted accounts receivable	-	-	855,466	893,249	6,042,508	9,738,738
Total assets	\$ 90,048,337	\$ -	\$ 1,635,847	\$ 16,605,940	\$ 6,042,508	\$ 9,738,738
LIABILITIES						
Accounts payable	\$ 3,750,081	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	50,886,621	-	-	-	-	-
Interfund payables	-	-	-	-	5,985,190	9,477,514
Due to other governments	-	-	-	-	-	-
Other Liabilities	118,757	-	-	-	-	-
Unearned revenue - property taxes	476,315	-	-	-	-	-
Unearned revenue - other	-	-	-	-	-	-
Liabilities payable from restricted assets	-	-	-	498,870	57,318	261,224
Total liabilities	55,231,774	-	-	498,870	6,042,508	9,738,738
FUND BALANCES						
Non Spendable for						
Inventory	1,889,540	-	-	1,500,176	-	-
Prepays	50,000	-	-	-	-	-
Restricted for						
Transportation	-	-	-	-	-	-
Instructional materials	-	-	1,635,847	-	-	-
Restricted by Grantor	-	-	-	-	-	-
Athletic Program	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
Debt Service Fund	-	-	-	-	-	-
Committed for Subsequent Year	29,000,000	-	-	-	-	-
Assigned for Food Service	-	-	-	14,606,894	-	-
Unassigned						
General Fund	3,877,023	-	-	-	-	-
Total fund balances	34,816,563	-	1,635,847	16,107,070	-	-
Total liabilities and fund balances	\$ 90,048,337	\$ -	\$ 1,635,847	\$ 16,605,940	\$ 6,042,508	\$ 9,738,738

State of New Mexico
Albuquerque Municipal School District No. 12

Exhibit B-1
Page 2 of 3

Balance Sheet
Governmental Funds (Continued)
June 30, 2013

	Capital Projects					
	Bond Building 31100	Capital Improvements HB-33 31600	Capital Improvements SB-9 31700	Debt Service 41000	Other Governmental Funds	Primary Government
ASSETS						
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ 1,637,923	\$ 76,460,378
Investments	-	-	-	-	-	-
Accounts receivable						
Taxes	-	-	-	-	-	536,067
Due from other governments	-	-	-	-	-	-
Interfund receivables	-	-	-	-	798,270	27,289,978
Other	-	-	-	-	-	471,083
Prepaid expenses & other assets	-	-	-	-	-	50,000
Inventory	-	-	-	-	-	3,389,715
Restricted cash and cash equivalents	20,996,426	76,868,465	56,752,384	54,881,365	38,821,319	249,100,340
Restricted accounts receivable	-	10,265,646	3,214,126	5,799,878	14,859,274	51,668,885
Total assets	\$ 20,996,426	\$ 87,134,111	\$ 59,966,510	\$ 60,681,243	\$ 56,116,786	\$ 408,966,446
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,750,081
Accrued expenses	-	-	-	-	-	50,886,621
Interfund payables	-	-	-	-	11,827,274	27,289,978
Due to other governments	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	118,757
Unearned revenue - property taxes	-	9,609,833	2,893,913	5,182,662	905,817	19,068,540
Unearned revenue - other	-	-	-	-	35,725	35,725
Liabilities payable from restricted assets	2,147,607	1,641,545	1,002,260	-	1,389,440	6,998,264
Total liabilities	2,147,607	11,251,378	3,896,173	5,182,662	14,158,256	108,147,966
FUND BALANCES						
Non Spendable for						
Inventory	-	-	-	-	-	3,389,716
Prepays	-	-	-	-	-	50,000
Restricted for						
Transportation	-	-	-	-	-	-
Instructional materials	-	-	-	-	-	1,635,847
Restricted by Grantor	-	-	-	-	8,208,556	8,208,556
Athletic Program	-	-	-	-	1,638,853	1,638,853
Capital Projects	18,848,819	75,882,733	56,070,337	-	19,295,685	170,097,574
Debt Service Fund	-	-	-	55,498,581	12,815,436	68,314,017
Committed for Subsequent Year	-	-	-	-	-	29,000,000
Assigned for Food Service	-	-	-	-	-	14,606,894
Unassigned						
General Fund	-	-	-	-	-	3,877,023
Total fund balances	18,848,819	75,882,733	56,070,337	55,498,581	41,958,530	300,818,480
Total liabilities and fund balances	\$ 20,996,426	\$ 87,134,111	\$ 59,966,510	\$ 60,681,243	\$ 56,116,786	\$ 408,966,446

Albuquerque Municipal School District No. 12

**Reconciliation of the Governmental Balance Sheet to the Statement of Net Position
June 30, 2013**

Amounts are reported in dollars

	Governmental Funds
	<hr/>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Fund balances - total governmental funds	\$ 300,818,480
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund balances:	
Cost of capital assets less accumulated depreciation to date	1,278,682,736
Other long-term assets are not available to pay for current period expenditures and, therefore are unearned in governmental funds:	
Property taxes	19,068,540
Bond issuance costs, including original issue discounts and premiums are recorded as expenditures in the year of debt and, therefore, are not reported as financial resources reported in the governmental funds. Those costs are capitalized and amortized for the Statement of Net Position:	
Bond issuance costs net of accumulated amortization	1,767,925
IRS Bond Subsidy Receivable	727,598
Internal Service Fund	14,871,159
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental fund statements:	
Accrued Interest	(8,301,433)
Net other postemployment benefit obligation (OPEB)	(316,763)
Accrued Compensated Absences	(3,884,293)
General Obligation Bonds and related Premiums and Discounts	(528,835,806)
	<hr/>
Net position of government activities	<u>\$ 1,074,598,143</u>

Albuquerque Municipal School District No. 12
Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2013

	General Fund		Special Revenue Funds			
	Operational	Pupil	Instructional	Food	Title I	IDEA B
	11000	Transportation	Materials	Service	IASA	Entitlement
	13000	14000	21000	24101	24106	
REVENUES						
Property taxes	\$ 4,900,276	\$ -	\$ -	\$ -	\$ -	-
State grants	596,022,953	18,630,008	6,588,000	-	-	-
Federal grants	2,673,973	-	-	26,887,149	25,839,378	27,750,152
Miscellaneous	3,671,922	-	-	8,544,597	-	-
Interest	80,200	2,588	3,265	20,477	-	-
Total revenues	<u>607,349,324</u>	<u>18,632,596</u>	<u>6,591,265</u>	<u>35,452,223</u>	<u>25,839,378</u>	<u>27,750,152</u>
EXPENDITURES						
Instruction	394,982,575	-	5,277,003	-	21,789,568	3,008,873
Support Services						
Students	53,948,630	-	-	-	1,069,123	11,555,060
Instruction	20,821,769	-	-	-	109,074	-
General Administration	4,347,378	-	-	600,000	716,858	745,102
School Administration	32,111,399	-	-	-	706,255	10,972,336
Central Services	16,678,830	-	-	-	1,447,517	1,121,688
Operation & Maintenance of Plant	76,968,864	-	-	-	983	33,093
Student Transportation	226,808	18,632,215	-	-	-	-
Other Support Services	724,660	-	-	-	-	-
Food Services Operations	656,538	-	-	32,468,751	-	-
Community Service	3,766	-	-	-	-	-
Facilities, Supplies and Materials	-	-	-	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-
Capital outlay	91,055	-	-	-	-	314,000
Total expenditures	<u>601,562,272</u>	<u>18,632,215</u>	<u>5,277,003</u>	<u>33,068,751</u>	<u>25,839,378</u>	<u>27,750,152</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,787,052</u>	<u>381</u>	<u>1,314,262</u>	<u>2,383,472</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)						
Transfers	55	-	-	-	-	-
Reimbursements to Grantors	-	-	-	-	-	-
Bond issuance premiums	-	-	-	-	-	-
Payments to escrow agents	-	-	-	-	-	-
IRS Bond Subsidy	-	-	-	-	-	-
Proceeds from bond issues	-	-	-	-	-	-
Proceeds from refunding bonds	-	-	-	-	-	-
Total other financing sources (uses)	<u>55</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>5,787,107</u>	<u>381</u>	<u>1,314,262</u>	<u>2,383,472</u>	<u>-</u>	<u>-</u>
Fund balances - beginning of year	29,029,456	(381)	321,585	13,723,598	-	-
Fund balances - end of year	<u>\$ 34,816,563</u>	<u>\$ -</u>	<u>\$ 1,635,847</u>	<u>\$ 16,107,070</u>	<u>\$ -</u>	<u>\$ -</u>

State of New Mexico
 Albuquerque Municipal School District No. 12
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds (Continued)
For the Year Ended June 30, 2013

Exhibit B-2
Page 2 of 3

	Capital Projects					Total Governmental Funds
	Bond Building 31100	Capital Improvements HB-33 31600	Capital Improvements SB-9 31700	Debt Service 41000	Other Governmental Funds	
REVENUES						
Property taxes	\$ -	\$ 55,054,534	\$ 29,321,356	\$ 50,538,358	\$ 12,713,107	\$ 152,527,631
State grants	-	-	2,012,464	-	12,682,478	635,935,903
Federal grants	-	-	-	-	28,695,026	111,845,678
Miscellaneous	-	4,084	-	-	5,373,733	17,594,336
Interest	101,417	114,994	88,945	64,697	54,668	531,251
Total revenues	<u>101,417</u>	<u>55,173,612</u>	<u>31,422,765</u>	<u>50,603,055</u>	<u>59,519,012</u>	<u>918,434,799</u>
EXPENDITURES						
Instruction	-	-	-	-	25,151,330	450,209,349
Support Services						
Students	-	-	-	-	9,725,723	76,298,536
Instruction	-	-	-	-	1,138,854	22,069,697
General Administration	-	562,674	299,807	517,198	689,940	8,478,957
School Administration	-	-	-	-	1,657,686	45,447,676
Central Services	-	-	-	-	1,328,411	20,576,446
Operation & Maintenance of Plant	-	-	-	-	21,384	77,024,324
Student Transportation	-	-	-	-	130,892	18,989,915
Other Support Services	-	-	-	-	-	724,660
Food Services Operations	-	-	-	-	459,543	33,584,832
Community Service	-	-	-	-	-	3,766
Facilities, Supplies and Materials	5,654,511	12,623,222	13,572,694	-	9,895,478	41,745,905
Debt service						
Principal	-	-	-	45,491,791	4,290,000	49,781,791
Interest	-	-	-	21,923,303	780,107	22,703,410
Bond issuance costs	79,825	-	-	290,692	-	370,517
Capital outlay	41,822,918	22,488,607	7,364,622	-	3,389,511	75,470,713
Total expenditures	<u>47,557,254</u>	<u>35,674,503</u>	<u>21,237,123</u>	<u>68,222,984</u>	<u>58,658,859</u>	<u>943,480,494</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(47,455,837)</u>	<u>19,499,109</u>	<u>10,185,642</u>	<u>(17,619,929)</u>	<u>860,153</u>	<u>(25,045,695)</u>
Other Financing Sources (Uses)						
Transfers	(160,102)	(325,078)	-	-	485,125	-
Reimbursements to Grantors	-	-	-	-	(210)	(210)
Bond issuance premiums	-	-	-	5,221,700	220,812	5,442,512
Payments to escrow agents	-	-	-	(32,310,000)	-	(32,310,000)
IRS Bond Subsidy	-	-	-	1,912,635	-	1,912,635
Proceeds from bond issues	-	-	-	-	13,000,000	13,000,000
Proceeds from refunding bonds	-	-	-	39,670,000	-	39,670,000
Total other financing sources (uses)	<u>(160,102)</u>	<u>(325,078)</u>	<u>-</u>	<u>14,494,335</u>	<u>13,705,727</u>	<u>27,714,937</u>
Net changes in fund balances	<u>(47,615,939)</u>	<u>19,174,031</u>	<u>10,185,642</u>	<u>(3,125,594)</u>	<u>14,565,880</u>	<u>2,669,242</u>
Fund balances - beginning of year	66,464,758	56,708,702	45,884,695	58,624,175	27,392,650	298,149,238
Fund balances - end of year	<u>\$ 18,848,819</u>	<u>\$ 75,882,733</u>	<u>\$ 56,070,337</u>	<u>\$ 55,498,581</u>	<u>\$ 41,958,530</u>	<u>\$ 300,818,480</u>

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Government Funds to the Statement of Activities
For the Year Ended June 30, 2013**

	Governmental Funds
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$ 2,669,242
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	(67,058,185)
Capital Outlay Additions	159,096,545
Adjustments/Disposal of capital assets	(19,679,483)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:	
Unearned revenue related to the property taxes receivable	(1,819,450)
Decrease in accrued compensated absences	(48,928)
Internal Service Fund Change in Fund Balance	14,871,159
Expenses in the statement of activities that do not consume the current financial resources of governmental funds:	
Net OPEB expense	(31,839)
The issuance of long-term debt (e.g., bonds, 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:	
Amortization of bond issuance costs	(451,800)
IRS bond subsidy	(69,333)
Amortization of original issue premium	3,577,827
Decrease in accrued interest payable	684,359
Debt service principal payments	49,781,791
Bond Issuance costs - Current Year Only - Amortized	420,617
Original Issue Premium	(5,442,512)
Payments to escrow	32,310,000
Bond Proceeds	(52,670,000)
Rounding	1
Change in Net Position - Total Governmental Activities	\$ 116,140,011

State of New Mexico
Albuquerque Municipal School District No. 12

Exhibit C-1
Fund 11000

Operational Fund (11000)
Statement Of Revenues, Expenditures, and Changes In Fund Balance
Budget (Non - GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
REVENUES				
Property taxes	\$ 4,843,384	\$ 4,843,384	\$ 4,899,743	\$ 56,359
State grants	590,513,093	591,603,495	596,022,953	4,419,458
Federal grants	1,845,982	2,477,818	2,673,973	196,155
Miscellaneous	2,241,528	2,247,923	3,671,923	1,424,000
Interest	40,000	40,000	81,453	41,453
Total revenues	<u>599,483,987</u>	<u>601,212,620</u>	<u>607,350,045</u>	<u>6,137,425</u>
EXPENDITURES				
Instruction	408,828,847	410,021,230	395,042,574	14,978,656
Support Services				
Students	61,430,196	61,419,745	54,004,275	7,415,470
Instruction	23,743,794	25,947,764	20,633,900	5,313,864
General Administration	5,160,232	5,155,232	4,078,430	1,076,802
School Administration	31,697,560	31,701,519	32,126,946	(425,427)
Central Services	19,012,295	19,012,295	16,409,430	2,602,865
Operation & Maintenance of Plant	73,751,667	73,773,652	76,113,329	(2,339,677)
Student Transportation	412,899	412,899	226,808	186,091
Other Support Services	1,868,472	1,868,472	1,038,851	829,621
Food Services Operations	487,731	1,087,731	658,488	429,243
Community Services	9,000	9,000	3,766	5,234
Capital outlay	81,294	91,055	91,055	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>626,483,987</u>	<u>630,500,594</u>	<u>600,427,852</u>	<u>30,072,742</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(27,000,000)</u>	<u>(29,287,974)</u>	<u>6,922,193</u>	<u>36,210,167</u>
OTHER FINANCING SOURCES (USES)				
Designated cash	27,000,000	29,287,974	-	(29,287,974)
Operating transfers	-	-	1,341	1,341
Reimbursement to Grantors	-	-	-	-
Proceeds from bond issues	-	-	-	-
Total other financing sources (uses)	<u>27,000,000</u>	<u>29,287,974</u>	<u>1,341</u>	<u>(29,286,633)</u>
Net changes in fund balances	-	-	6,923,534	6,923,534
Fund balances - beginning of year	-	-	29,677,767	29,677,767
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,601,301</u>	<u>\$ 36,601,301</u>
RECONCILIATION TO GAAP BASIS				
Reversal of PY adjustments to revenue / expenditures			(2,537,851)	
Adjustments to revenues			(720)	
Adjustments to expenditures			(1,134,420)	
Inventory			1,889,539	
Other financing sources (uses)			(1,286)	
Fund balances (GAAP basis)			<u>\$ 34,816,563</u>	

State of New Mexico
Albuquerque Municipal School District No. 12

Exhibit C-2
Fund 13000

Pupil Transportation Fund (13000)
Statement Of Revenues, Expenditures, and Changes In Fund Balance
Budget (Non - GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	17,307,731	18,832,270	18,630,008	(202,262)
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	3,025	2,588	(437)
Total revenues	<u>17,307,731</u>	<u>18,835,295</u>	<u>18,632,596</u>	<u>(202,699)</u>
EXPENDITURES				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	202,262	-	202,262
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	17,307,731	18,633,033	18,632,596	437
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>17,307,731</u>	<u>18,835,295</u>	<u>18,632,596</u>	<u>202,699</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Reimbursement to Grantors	-	-	-	-
Proceeds from bond issues	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	-	-	-	-
Fund balances - beginning of year	-	-	-	-
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION TO GAAP BASIS:				
Reversal of PY adjustments to revenue / expenditures			(381)	
CY Adjustments to revenues			-	
CY Adjustments to expenditures			381	
Inventory			-	
Fund balances (GAAP basis)			<u>\$ -</u>	

Instructional Materials Fund (14000)
Statement Of Revenues, Expenditures, and Changes In Fund Balance
Budget (Non - GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	5,732,533	6,587,998	5,732,534	(855,464)
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	3,265	3,265
Total revenues	<u>5,732,533</u>	<u>6,587,998</u>	<u>5,735,799</u>	<u>(852,199)</u>
EXPENDITURES				
Instruction	5,990,990	7,163,351	5,536,458	1,626,893
Support Services				
Students	-	-	-	-
Instruction	4,117	5,687	-	5,687
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	-	-	-	-
Total expenditures	<u>5,995,107</u>	<u>7,169,038</u>	<u>5,536,458</u>	<u>1,632,580</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(262,574)</u>	<u>(581,040)</u>	<u>199,341</u>	<u>780,381</u>
OTHER FINANCING SOURCES (USES):				
Designated cash	262,574	581,040	-	(581,040)
Operating transfers	-	-	-	-
Reimbursement to Grantors	-	-	-	-
Proceeds from bond issues	-	-	-	-
Total other financing sources (uses)	<u>262,574</u>	<u>581,040</u>	<u>-</u>	<u>(581,040)</u>
Net changes in fund balances	-	-	199,341	199,341
Fund balances - beginning of year	-	-	581,040	581,040
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 780,381</u>	<u>\$ 780,381</u>
RECONCILIATION TO GAAP BASIS:				
Reversal of PY adjustments to revenue / expenditures			(259,455)	
CY Adjustments to revenues			855,466	
CY Adjustments to expenditures			259,455	
Inventory			-	
Fund balances (GAAP basis)			<u>\$ 1,635,847</u>	

Food Services Fund (21000)
Statement Of Revenues, Expenditures, and Changes In Fund Balance
Budget (Non - GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	27,350,000	27,350,000	26,799,891	(550,109)
Miscellaneous	8,403,000	8,403,000	8,514,330	111,330
Interest	-	-	20,477	20,477
Total revenues	<u>35,753,000</u>	<u>35,753,000</u>	<u>35,334,698</u>	<u>(418,302)</u>
EXPENDITURES				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	600,000	600,000	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	46,569,636	46,651,688	32,011,892	14,639,796
Community Services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>46,569,636</u>	<u>47,251,688</u>	<u>32,611,892</u>	<u>14,639,796</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,816,636)</u>	<u>(11,498,688)</u>	<u>2,722,806</u>	<u>14,221,494</u>
OTHER FINANCING SOURCES (USES):				
Designated cash	10,816,636	11,498,688	-	(11,498,688)
Operating transfers	-	-	-	-
Reimbursement to Grantors	-	-	-	-
Proceeds from bond issues	-	-	-	-
Total other financing sources (uses)	<u>10,816,636</u>	<u>11,498,688</u>	<u>-</u>	<u>(11,498,688)</u>
Net changes in fund balances	-	-	2,722,806	2,722,806
Fund balances - beginning of year	-	-	11,498,688	11,498,688
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,221,494</u>	<u>\$ 14,221,494</u>
RECONCILIATION TO GAAP BASIS:				
Reversal of PY adjustments to revenue / expenditures			724,734	
CY Adjustments to revenues			117,525	
CY Adjustments to expenditures			(456,859)	
Inventory			1,500,176	
Fund balances (GAAP basis)			<u>\$ 16,107,070</u>	

Title I - IASA Fund (24101) (101-130)
Statement Of Revenues, Expenditures, and Changes In Fund Balance
Budget (Non - GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	25,816,170	33,965,953	30,759,308	(3,206,645)
Miscellaneous	-	-	-	-
Interest	-	-	-	-
Total revenues	<u>25,816,170</u>	<u>33,965,953</u>	<u>30,759,308</u>	<u>(3,206,645)</u>
EXPENDITURES				
Instruction	22,004,433	28,512,836	21,807,424	6,705,412
Support Services				
Students	1,105,548	1,433,501	1,070,981	362,520
Instruction	95,604	171,309	109,074	62,235
General Administration	717,556	931,814	716,858	214,956
School Administration	739,315	790,942	706,255	84,687
Central Services	1,153,714	2,119,551	1,417,677	701,874
Operation & Maintenance of Plant	-	6,000	983	5,017
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>25,816,170</u>	<u>33,965,953</u>	<u>25,829,252</u>	<u>8,136,701</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>4,930,056</u>	<u>4,930,056</u>
OTHER FINANCING SOURCES (USES):				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Reimbursement to Grantors	-	-	-	-
Proceeds from bond issues	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	-	-	4,930,056	4,930,056
Fund balances - beginning of year	-	-	(10,915,246)	(10,915,246)
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,985,190)</u>	<u>\$ (5,985,190)</u>
RECONCILIATION TO GAAP BASIS:				
Reversal of PY adjustments to revenue / expenditures			10,915,246	
CY Adjustments to revenues			(4,919,930)	
CY Adjustments to expenditures			(10,126)	
Inventory			-	
Fund balances (GAAP basis)			<u>\$ -</u>	

IDEA-B Entitlement Fund (24106) (321)
Statement Of Revenues, Expenditures, and Changes In Fund Balance
Budget (Non - GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	19,345,855	31,270,601	19,115,895	(12,154,706)
Miscellaneous	-	-	-	-
Interest	-	-	-	-
Total revenues	<u>19,345,855</u>	<u>31,270,601</u>	<u>19,115,895</u>	<u>(12,154,706)</u>
EXPENDITURES				
Instruction	1,862,643	3,176,230	3,008,873	167,357
Support Services				
Students	6,153,298	14,055,705	11,345,551	2,710,154
Instruction	-	-	-	-
General Administration	530,858	941,835	745,102	196,733
School Administration	9,738,449	11,453,405	10,972,336	481,069
Central Services	967,217	1,235,036	1,094,008	141,028
Operation & Maintenance of Plant	93,390	93,390	33,093	60,297
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital outlay	-	315,000	314,000	1,000
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>19,345,855</u>	<u>31,270,601</u>	<u>27,512,963</u>	<u>3,757,638</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(8,397,068)</u>	<u>(8,397,068)</u>
OTHER FINANCING SOURCES (USES):				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Reimbursement to Grantors	-	-	-	-
Proceeds from bond issues	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	-	-	(8,397,068)	(8,397,068)
Fund balances - beginning of year	-	-	(1,080,446)	(1,080,446)
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,477,514)</u>	<u>\$ (9,477,514)</u>
RECONCILIATION TO GAAP BASIS:				
Reversal of PY adjustments to revenue / expenditures			1,080,446	
CY Adjustments to revenues			8,634,257	
CY Adjustments to expenditures			(237,189)	
Inventory			-	
Fund balances (GAAP basis)			<u>\$ -</u>	

Statement of Net Position
Internal Service Fund
June 30, 2013

	Internal Service Fund
ASSETS	
Current assets:	
Cash and investments	\$ 44,647,849
Total current assets	<u>44,647,849</u>
Total assets	<u><u>44,647,849</u></u>
LIABILITIES	
Current liabilities	
Claims Payable	\$ 15,740,988
Total current liabilities	<u>15,740,988</u>
Long-Term Portion of Claims Payable	<u>14,035,702</u>
Total long term liabilities	<u>14,035,702</u>
Total liabilities	<u><u>29,776,690</u></u>
NET POSITION	
Assigned for Internal Service Fund	<u>14,871,159</u>
Total net position	<u><u>14,871,159</u></u>
Total liabilities and net position	<u><u>\$ 44,647,849</u></u>

Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Fund
For the Year Ending June 30, 2013

	Internal Service Fund
Operating revenues:	
Charges for services	\$ 91,936,804
Total operating revenues	91,936,804
Operating expenses:	
Health and medical claims admin.	3,822,804
Health and medical claims	59,773,906
Dental claims admin	339,257
Dental claims	5,574,122
Vision claims admin	32,074
Vision claims	799,256
Worker's compensation claims admin.	-
Worker's compensation claims	3,482,327
Property/liability claims admin.	-
Property/liability claims	1,226,150
Compensation and benefits	967,245
General supplies & materials	-
Other Professional / Technical Services	1,128,726
Total operating expenses	77,145,867
Operating income (loss)	14,790,937
Non-operating revenue (expenses):	
Interest - restricted	80,222
Total non-operating revenues (expenses)	80,222
Change in net position	14,871,159
Total net position - beginning of year	-
Total net position - end of year	\$ 14,871,159

Statement of Cash Flows
Internal Service Fund
Year Ended June 30, 2013

	Internal Service Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from Interfund Services Provided:		
Health Insurance Premiums	\$ 71,774,083	
Express Scripts Rebates	1,269,372	
Dental Insurance Premiums	5,613,225	
Vision Insurance Premiums	871,119	
Worker's Compensation Premiums	3,661,540	
Property/Liability Premiums	8,747,465	
Total Cash received from Interfund Services Provided		91,936,804
Cash paid to Vendors		
Health and Medical Claims Administration	3,822,804	
Health and Medical Claims	68,887,995	
Dental Claims Administration	339,257	
Dental Claims	5,574,122	
Vision Claims Administration	32,074	
Vision Claims	799,256	
Worker's Compensation Claims Administration	0	
Worker's Compensation Claims (Self Insured)	4,892,483	
Property/Liability Claims Administration	0	
Property/Liability Claims (Self Insured)	5,669,714	
Total Cash Paid to Vendors		90,017,705
Other Expenditures		
Compensation and Benefits	967,245	
General Supplies & Materials	0	
Other Professional / Technical Services	1,128,726	
Total Other Expenditures		2,095,971
Net cash provided (used) by operating activities		\$ (176,872)
CASH FLOWS FROM INVESTMENT ACTIVITIES:		
Interest received	\$ 80,222	
Net cash provided (used) by investing activities		80,222
Net increase in cash and cash equivalents		(96,650)
Cash and cash equivalents - June 30, 2012		44,744,499
Cash and cash equivalents - June 30, 2013		\$ 44,647,849
Reconciliation of operating income to net cash:		
Operating income (loss)		14,790,937
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Increase in claims liability		(14,967,809)
Net cash provided by operating activities		\$ (176,872)

Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2013

	<u>Agency Funds</u>
ASSETS	
Current Assets	
Cash	\$ 5,408,733
Total assets	<u>5,408,733</u>
LIABILITIES	
Current Liabilities	
Deposits held in trust for others	5,408,733
Total liabilities	<u>\$ 5,408,733</u>

Notes to the Financial Statements

NOTE 1. Summary of Significant Accounting Policies

The financial statements of the Albuquerque Public School District No. 12, Albuquerque, New Mexico (“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 Standards 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.

Reporting Entity

The District was formed in the late 1800s. The District currently operates with a superintendent and seven elected board members. The District provides educational services to over 87,000 students. The financial statements include all funds that are controlled by, or dependent on, the District. Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, outstanding debt secured by general obligations of the District, or the obligation of the District to finance any deficits that may occur. KANW, a public radio station, is included in the reporting entity general fund as a department within the District.

GASB Statement No. 14 established criteria for determining the government reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The District also has component units, as defined by GASB Statement No. 14 (amended by GASB Statements No. 39 and 61), whereby the component units are legally separate organizations. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship.

KNME-TV is a non-profit television station jointly formed by the District and the University of New Mexico and has a separate governing board from that of the District. KNME-TV provides educational programming to the residents of New Mexico. It is excluded from the reporting entity because the District does not have the ability to exercise influence over daily operations and approve budgets; however, some funding is provided by the District, as well as by the University of New Mexico, private grants, gifts and contributions. The District derives no financial benefit from its relationship with KNME and its only financial burden consists of a \$20,000 yearly contribution toward operations and payment of utility costs which amounted to \$13,025 during fiscal year 2013. Financial Statements for KNME may be obtained from the Controller’s office of the University of New Mexico.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Internal Service Fund is used to account for the operation of the Self-Insurance Management Fund which services the District’s departments.

Component Units

The following charter schools were formed under NMSA 22-8A and as such are presented here as discrete component units within the District's financial statements, and separate statements are not available. District management has determined that the Charter Schools are component units under GASB Statement No. 61 since their operating budgets and charters are presented and approved by the District's board and a financial burden exists upon closure of a school or when the school is in need of financial assistance. In addition, under section 6-5A-1 NMSA 1978 501c(3), component units with gross annual income in excess of \$100,000 should be audited; therefore, the APS Foundation is included as a component unit.

21st Century Public Academy	Los Puentes Charter School
Academia de Lengua y Cultura	Montessori of the Rio Grande
Albuquerque Talent Development Secondary Charter	Mountain Mahogany Community School
Alice King Community School	Native American Community Academy
Christine Duncan's Heritage Academy	Nuestros Valores Charter School
Corrales International Charter School	Public Academy for Performing Arts
Digital Arts & Technology Academy	Robert F Kennedy High School
El Camino Real Academy	School for Integrated Academics and Technologies
Gordon Bernell Charter School	South Valley Academy
La Academia de Esperanza	The Bataan Military Academy

APS Education Foundation

The Albuquerque Public Schools Education Foundation is a 501(c)(3) charitable organization established in 1995, that raises private support for programs within the district. In addition to providing help to the 87,000 school children and 12,000 full time staff members of the district, the Foundation serves as a fiscal agent for a variety of programs. In 2009, the Foundation established the Horizon Campaign, a fundraising effort aimed at providing financial supplements to Classroom Teacher Mini-Grants, Fine Arts, Literacy and Middle School/High School Activities programs operated by the district. The Foundation issues a separate set of financials and a copy can be obtained from the Foundation at 6400 Uptown Blvd. NE, Suite 630 East, Albuquerque, NM 87110.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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 such as the collection of cafeteria fees and lost books, etc. and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment such as in Title I and IDEA-B or state programs such as HB-33 and SB-9. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Those revenues susceptible to accrual are property taxes, state shared taxes, investment income and charges for services. In accordance with GASB Statement 33, estimated property, and other taxes that are not available are recorded as both accounts receivable and unearned revenue. All other revenues are recognized when they are received and are not susceptible to accrual, because they are usually not measurable until

payment is actually received. Expenditures are recorded as liabilities when they are incurred. Any effect of interfund activity has been eliminated from the Government-wide financial statements.

Property taxes are collected by the Bernalillo and Sandoval County Treasurers and remitted to the District. Property tax revenue is recognized at the time of receipt or earlier if accrual criteria are met. The District's accounting policy is to defer property taxes that are not collected within 60 days after fiscal year end since delinquent property taxes are not available to finance current fiscal year District operations. Delinquent property taxes collected in future periods will be recognized as revenue when collected.

Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to incurring the qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

Expenditures are recorded when the related fund liability is incurred, except interest on general long-term debt which is recognized when due, and certain compensated absences and claims which are recognized when expected to be liquidated with expendable available financial resources.

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

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 period for which the taxes are levied. 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. 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.

Ad valorem taxes (property taxes), and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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.

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

general fixed assets, and the servicing of general long-term debt. Governmental funds include:

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

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

The *Debt Service Fund* accounts for the services of general 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.

Under the requirements of GASB #34, the District is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund), which include funds that were not required to be presented as major but were at the discretion of management:

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

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

The *Food Service Fund* is used to account for the cost of operating a student breakfast, lunch, snack bar and summer lunch program and is financed with federal grants and fees paid by program users.

The *IASA Title I Fund* is used to provide compensatory education services to educationally deprived school children (including private school pupils) in low-income areas. (P.L. 103-382)

The *IDEA-B Entitlement Fund* is used to account for federal resources administered by the public education dept. to provide for special educational needs of handicapped 6-21 year olds. (PL 94-142 & PL 99-457)

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 purchasing or improving school grounds or any combination thereof, as approved by the voters of the District.

The *Capital Improvements HB33 Fund* is used to account for the costs relating to erecting, remodeling, making additions to, providing equipment for, or furnishing public school buildings and purchasing or improving public school grounds. Financing is provided through property taxes as specified by Article 26 of the Public School Buildings Act. (House Bill 33)

The *Capital Improvements SB9 Fund* is used to account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by the State of New Mexico's State Equalization Matching and a special tax levy as authorized by the Public School District Capital Improvements Act. (22-25-1 to 22-25-10, NMSA 1978)

The *Debt Service Fund* is used to account for the accumulation of resources for the payment of General Long-Term Debt principal and interest.

Additionally, the government reports the following fund types:

Fiduciary Funds are used to account for assets held by the District as an agent for individuals, private organizations or other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. These funds relate primarily to the activities of individual schools. While these funds are under the supervision of the District and enhance the District's educational programs, they are funds of the individual schools and/or their student bodies and are not available for use by the District.

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

The *Internal Service Fund* is used to account for the operations of the Self-Insurance Management Fund which services the District's departments on a cost-reimbursement basis. The activity tracked in this Internal Service Fund includes employee health insurance, worker's compensation insurance, and property and liability insurance for the District. All expenses are captured in this fund, and proceeds from employee deductions and budgeted appropriations are coded here as revenue sources. Collections from excess insurance policies are also deposited into this fund. The Internal Service Fund is reported in the Proprietary Funds section of this report.

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

Assets, Liabilities and Net Position or Equity

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

Cash and Cash Equivalents: Policies regarding cash and cash equivalents are approved by the District's Board of Education and are governed by New Mexico statute. Such policies allow deposits or investments in certificates of deposit, savings accounts, overnight repurchase agreements, various obligations of the U.S. Government or its agencies and the New Mexico State Treasurer's Local Government Short Term Investment Fund. Such deposits and investments must be made through a State or Federally chartered bank or savings and loan association which is insured by the FDIC and which is within the geographic boundaries of the District, or with the New Mexico State Treasurer. The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The District's Restricted Cash and Cash Equivalents of \$249,100,340 consist of cash balances in all funds except the Operational Fund. This includes Transportation, Instructional Materials, Special Revenue Funds, Capital Outlay and Debt Service.

Collateral is required for at least 50% of deposits that are not insured by the FDIC, with the exception of repurchase agreements. These are required to have collateral of at least 102%. Obligations that may be pledged as collateral are obligations of the U.S. Government, its agencies, and state and local governments. Collateral is held in safekeeping at depository institutions in the name of the District.

For purposes of the Statement of Cash Flows, the internal service fund considers Cash and Investments as highly liquid assets (including restricted assets) with maturity of three months or less when purchased to be cash equivalents.

Receivables and Payables: Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as interfund receivables and interfund payables.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The allowance for doubtful accounts is based on management's assessment of the collectability of specific accounts, the aging of accounts receivable and historical experience.

The District receives monthly income from a tax levy in Bernalillo and Sandoval Counties. The funds are collected by the County Treasurers and are remitted to the District the following month.

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.

Prepaid Items: The consumption method is used to report prepaid items. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Inventory: Supply inventories are valued at the lower of average cost or market and consist of educational supplies, purchased and donated commodities. Donated inventories, received at no cost under a program supported by the Federal Government, are recorded at the lower of their estimated fair market value at the date of receipt or current market value.

The food commodities received from the Federal Government (passed through from the State) are recorded as revenues and expenditures as they are consumed. Quantities on hand at year-end are recorded as inventory with an offsetting credit to deferred revenue. Such revenue is recognized when the inventoried items are consumed.

The consumption method is used to report inventories. Purchased inventories are recorded as expenditures at the time individual inventory items are used. Reported inventories are offset by a fund balance reservation which indicates that they do not constitute available expendable resources.

Capital Assets: Capital assets are recorded at historical cost and depreciated over their estimated useful lives (with no salvage value). Historically and in accordance with prior State Statute, State Regulations and School Board Policy, all assets with a value in excess of \$1,000 were capitalized. Effective July 1, 2006, this amount was increased by state statute to \$5,000. The District continued to capitalize all assets with a value in excess of \$1,000 through June 30, 2010. Assets on the books as of July 1, 2010 with a cost between \$1,000 and \$5,000 have remained on the District's inventory list and continue to be subject to depreciation rules for the life of the asset. Effective July 1, 2011 the District began capitalizing only equipment with a value in excess of \$5,000 in accordance with state statute. In addition, effective July 1, 2009 the District began tracking all computers regardless of value.

Donated capital assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Capital assets include land and land improvements, buildings and building improvements, furniture, fixtures, equipment, machinery and vehicles. Capital assets are used in operations and have a useful life of more than one year and a cost exceeding established capitalization thresholds. The school district does not own any infrastructure assets such as roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems.

Purchased capital assets costing more than \$5,000 are recorded at historical cost, including significant ancillary charges necessary to place the asset into its intended location and condition for use. Improvements to land and buildings are capitalized at the higher threshold of \$25,000. Donated capital assets valued at more than \$5,000 are recorded at their estimated fair value at the time of acquisition plus ancillary charges.

Capital assets are reported net of accumulated depreciation in the statement of net position. Capital assets that are not being depreciated, such as land, are reported separately for significant amounts. Capital assets are depreciated over their estimated useful lives using the straight-line depreciation method and full-month averaging. No salvage value is allowed for this purpose. Estimated useful life is management's estimate of how long the asset is expected to meet service demands.

Straight-line depreciation is used based on the following estimated useful lives:

Computer Equipment and Business Machines	5 Years	Improvements to Land	20 Years
General Equipment and Musical Instruments	8 Years	Improvements to Buildings	20 Years
Vehicles, Trucks, and Trailers	8 Years	Portable School Buildings	25 Years
Furniture, Major Appliances, Large Equipment	10 Years	Buildings	40 Years

Depreciation was allocated to the various functions based upon originating purchasing source where identifiable. Unallocated depreciation was recorded in the statement of activities.

Unearned Revenues: The District reports unearned revenues on its Statement of Net Position and various fund balance sheets. Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

Certain employees of the District (primarily school teachers and support staff) work nine months of the 12-month fiscal year. The District disburses payroll to such employees throughout the entire 12-month period. Accordingly, salaries payable included as accrued expenses in the accompanying financial statements include accrued salaries for services performed through June 30, 2013 for these employees. The accrued salaries will be paid within two months after the end of the fiscal year.

Compensated Absences: In the event of termination or retirement, employees may be paid for up to 176 hours of accumulated vacation leave. Accordingly, accumulated vacation leave is recorded as if fully vested. The vested vacation leave payable is calculated using current pay levels and is recorded in the government-wide fund.

Long-term Obligations: In the government-wide fund 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. During the year \$22,019,051 in interest on long term debt was recorded, including \$8,301,433 in accrued interest payable.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District did not have any items that qualified for reporting in this category as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an

inflow of resources (revenue) until that time. The District did not have any items that were required to be reported in this category as of June 30, 2013.

Fund balance: The difference between assets and liabilities in the governmental fund financial statements are among the most widely and frequently used information in state and local government financial reports.

GASB Statement No. 54 distinguishes fund balances based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts are reported in the following classifications:

- **Nonspendable** - portion of net resources that cannot be spent because of their form or because they must remain intact
- **Restricted** - amounts constrained by external parties, constitutional provision, or enabling legislation
- **Committed** - amounts constrained by a government using its highest level of decision-making authority. The Board of Education is the highest level of decision making authority. Formal Board action, through a resolution creates a commitment.
- **Assigned** - amounts a government intends to use for a particular purpose
- **Unassigned** - amounts that are not constrained at all will be reported in the general fund.

The new standards also clarify the definitions of individual governmental fund types. It interprets certain terms within the definition of special revenue fund types, while further clarifying the debt service and capital projects fund type definitions. The final standard also specifies how economic stabilization or “rainy-day” amounts should be reported.

Net Position: In June 2011, GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (GASB 63), effective for the District’s fiscal year beginning July 1, 2012. GASB 63 modifies the presentation of deferred inflows and deferred outflows in the financial statements; it also limits the use of the term “deferred.” Implementation of GASB 63 had no effect on the District’s net position or changes in net position for the fiscal year ended June 30, 2013.

The government-wide statements utilize a net position presentation categorized as follows:

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

Restricted Net Position - For the government-wide statement of net position, net position is reported as restricted when constraints placed on net asset used are either:

1. Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or
2. Imposed by law through constitutional provisions or enabling legislation.

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

The District’s policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The District’s restricted fund balances for student instructional materials, pupil transportation and capital projects on Exhibit B-1 represent those imposed by law through enabling legislation. When an expenditure is incurred for which committed, assigned, and/or unassigned amounts of funding are available, funds are applied in that respective order.

Interfund Transactions: Reciprocal and non-reciprocal transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/ expenses in the fund that is reimbursed. All other interfund transactions, except reciprocal and non-reciprocal transactions and reimbursements, are reported as transfers.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles 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.

Estimates in these financial statements include the District's estimate of useful lives for determining accumulated depreciation and depreciation expense, an estimate of accrued interest, estimates of worker's compensation and health insurance claims and an estimate on property taxes receivable.

Revenues

Program revenues: In the Statement of Activities, program revenues derive directly from the program itself or from parties outside the District's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues are categorized as (a) charges for services, which includes 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 and IDEA-B funding to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources such as SB-9 and HB-33 funding to be used for capital projects.

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 insure that the school district's operating revenue, including its local and federal revenues as defined (in Chapter 22, Section 825, NMSA 1978) is at least equal to the school district's program cost.

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$590,190,332 in state equalization guarantee distributions during the year ended June 30, 2013.

Tax Revenues: The District receives mill levy and ad valorem tax revenues primarily for debt service and capital outlay purposes. Tax revenues are recognized for governmental purposes when they are assessed and for fund purposes when they are measurable and available. The District records only the portion of the taxes considered to be 'measurable' and 'available'. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

Property taxes: An enforceable lien is attached on property as of January 1st. Tax notices are sent to property owners by November 1st of each year, to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects County, City, and School taxes and distributes some to each fund once per month.

Pupil Transportation Distribution: School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. Allocations received from the State for the year ended June 30, 2013 totaled \$18,630,008;

\$18,625,963 from State Transportation Distribution funds, \$311,171 and \$4,045 for administrative fees collected on Charter School Transportation allocations.

Instructional Materials: The New Mexico State 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, fifty percent is restricted to the requisition of materials listed on the State Board of Education's "State Adopted Instructional Material" list, while fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2013 totaled \$6,588,000.

SB-9 State Match: The Director shall distribute to any school district that has imposed a tax under the Public School Capital Improvements Act (22-25-1 to 22-25-10, NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of Section 22-25-3, NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1st 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 improvements fund 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: Under the provisions of Chapter 22, Article 24, a public school capital outlay fund was created. The money in the fund may be used only for capital expenditures deemed by the public school capital outlay council necessary for an adequate educational program, and capital outlay expenditures are limited to the purchase, or construction of temporary or permanent classrooms.

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

1. A critical need exists requiring action;
2. The residents of the school district have provided all available resources to the district to meet its capital outlay requirements;
3. The school district has used its resources in a prudent manner;
4. The District is in a county or counties which have participated in the reappraisal program and the reappraised values are on the tax rolls, or will be used for the tax year 1979 as certified by the property tax division; and
5. The school district has provided insurance for buildings of the school district in accordance with the provisions of Section 13-5-3, NMSA 1978.

The council shall consider all applications for assistance from the fund and after public hearing shall either approve or deny the application. Applications for grant assistance shall only be accepted by the council after a district has complied with the provisions of this section. The council shall list all applications in order of priority and all allocations shall be made on a priority basis. Money in the fund shall be disbursed by warrant of the Department of Finance and Administration on vouchers signed by the Secretary of Finance and Administration following certification by the council that the application has been approved.

Allocation of Indirect Expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The District does not currently employ indirect cost allocation systems. Depreciation expense not charged to a specific function is identified as unallocated on the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

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 operates under its own budget, which has been approved by the

Federal Department or the flow through agency (usually the State of New Mexico Public Education Department). The various budgets are approved by the Local School Board and the New Mexico State Public Education Department. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

The District also receives reimbursements under the National School Lunch and Breakfast Programs for its food services operations, and the distributions of commodities through the New Mexico Human Services Department. The value of commodities received for the year ended June 30, 2013 was \$1,744,732 and is reported in the Schedule of Expenditures of Federal Awards under the Department of Agriculture Commodities Program, CFDA number 10.550. Commodities are recorded as revenues and expenditures in the food service fund.

Budgetary Information

The following procedures are utilized to establish the District budget:

1. Subsequent to January 31, and prior to June 1, the Superintendent submits to the District's Board of Education a proposed budget for the fiscal year which commences on July 1. The budget includes an estimate of revenues and a proposed expenditure plan.
2. The proposed budget is presented at meetings subject to the Open Meetings Act of New Mexico, and the public is invited to comment.
3. The District is required to submit to the State of New Mexico, Public Education Department School Budget & Financial Analysis Unit (SBFAU) a balanced budget for the fiscal year which commences on July 1.
4. Based on criteria set by the SBFAU, the District undergoes either a formal technical review of the proposed budget or a more informal phone review each year. Subsequent to this review, the local Board approves a budget resolution to adopt the proposed budget subject to any technical adjustments by SBFAU. The final budget as approved by SBFAU is provided to the Board for information purposes only.
5. The budget is adjusted throughout the fiscal year based upon changes in programmatic needs. All intra-function transfers (adjustments within a function) of budget amounts are approved by site administrators and then if over \$10,000 by control agents. These adjustments are then submitted to the Board of Education for final approval. Inter-function transfers (transfers between functions) include the same level of approvals, but require additional approval by the SBFAU. Budgetary control is at the function level; over-expenditure of a function is not allowed per NMAC 6.20.2.9.A.
6. Budgets for the General Fund, Special Revenue Funds and Capital Projects Funds are adopted on a basis consistent with the "Manual of Procedures for Uniform Financial Accounting and Budgeting for School Districts". Budgetary amounts for the Debt Service Fund are based upon the issuance of general obligation bonds.
7. Budgeted amounts are as originally adopted or as amended by the SBFAU. Unspent general appropriations lapse at year-end unless they have been encumbered and accrued.

For budgetary purposes, expenditures include amounts paid in the fiscal year, adjusted for the effects of liabilities paid within ten days of fiscal year-end and unpaid salaries and benefits attributable to services provided during the school year. The Board of Education must approve amendments to the appropriated budget when the budgeted fund balance differs from the actual fund balance at the end of the fiscal year. New Mexico state law prohibits a Governmental Agency from exceeding the appropriated budget.

The Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles,

a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2013 is presented with each fund's Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis).

Budgetary comparisons are presented in the balanced presentation format whereby the excess (deficiency) of revenues over expenditures is reflected as Beginning Fund Balance for budgetary purposes. The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP); and
2. Generally, expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP). However, budgetary expenditures include amounts for salaries and benefits attributable to services provided during the fiscal year. The non-budgeted accounts and funds primarily consist of the adjustment to record the USDA commodity allocation.

NOTE 2. Cash and Cash Equivalents and Investments

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2013.

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

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

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

The collateral pledged is listed on Schedule II of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district, or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate.

Cash Reconciliation**Cash Per Government-wide Statement of Net Position:**

Unrestricted cash - Statement of net position	\$ 121,108,227
Current Restricted cash - Statement of net position	74,548,813
Noncurrent Restricted cash - Statement of net position	174,551,527
Total cash & cash equivalents per Government-wide Statement of Net Position	<u><u>\$370,208,567</u></u>

Governmental Funds - Balance Sheet Reconciliation

Cash and cash equivalents per Exhibit A-1	\$370,208,567
Internal Service Fund cash	(44,647,849)
Total cash & cash equivalents per Governmental Funds Balance Sheet per Exhibit B-1	<u><u>\$325,560,718</u></u>

Deposits

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Schools for at least one half of the amount on deposit with institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits. Cash and cash equivalents consists of the following at June 30, 2013:

Deposits

	Wells Fargo	Bank of America	NM Educators FCU	Agency Funds	Total Deposits
Total deposits	\$ 345,466,711	\$ 32,233,829	\$ 2,705	\$ 5,561,517	\$ 383,264,762
FDIC coverage	250,000	250,000	250,000	5,446,039	6,196,039
Total uninsured public funds	345,216,711	31,983,829	-	-	377,200,540
Collateral requirement ¹	172,608,356	15,991,915	-	-	188,600,271
Pledged security	385,046,726	47,637,259	-	-	432,683,985
Total under (over) collateralized	<u><u>\$(212,438,370)</u></u>	<u><u>\$ (31,645,344)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$(244,083,714)</u></u>

¹ Collateral requirement: 50% of uninsured public funds. Due to current economic conditions APS requires all Financial institutions to provide 102% collateral.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The 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, 2013, \$377,200,540 of the District's bank balance of \$383,264,762 was exposed to custodial credit risk because it was uninsured and collateral held by pledging bank's trust department was not in the District's name.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District's investment policy indicates that the District is to attempt to secure a maximum yield of investment earnings to supplement other revenues for the support of the District. The District only invests in securities allowed under Section 6-10-10 NMSA 1978.

NOTE 3. Receivables

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

Accounts receivable are shown net of an allowance for uncollectables. Accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectables. Restricted Accounts Receivables of \$51,645,175 consist of those receivables related to special revenues, amounts due from other governments for special revenue and capital outlay funds, and property tax receivables.

Receivables as of June 30, 2013 are as follows:

Receivables	General	Food Services	Food Services	Title I IASA	IDEA-B Entitlement
Property taxes	\$ 536,067				
Intergovernmental grants		855,466	893,249	6,042,508	9,738,738
Other	491,447				
Less allowance for uncollectibles	(20,364)				
Totals by fund	\$ 1,007,150	\$	893,249	\$ 6,042,508	\$ 9,738,738

	Capital Improvements HB-33	Capital Improvements SB-9	Debt Service	Other Governmental	Total
Property taxes	\$ 10,265,646	\$ 3,214,126	\$ 5,799,878	\$ 978,078	\$ 20,793,795
Intergovernmental grants				13,881,196	31,411,157
Other					491,447
Less allowance for uncollectibles					(20,364)
Totals by fund	\$ 10,265,646	\$ 3,214,126	\$ 5,799,878	\$ 14,859,274	\$ 52,676,035

NOTE 4. Inventories

Components of inventory balances are as follows:

Instructional	\$ 582,737
M&O	1,306,802
Food Items	1,500,176
Total	<u>\$ 3,389,715</u>

NOTE 5. Accrued Expenses

Accrued Expenses at June 30, 2013 consisted of:

Salaries and benefits payable	\$ 50,886,621
Other Liabilities	<u>118,757</u>
	<u>\$ 51,005,378</u>

NOTE 6. Interfund Receivables, Payables, and Transfers

Generally, these inter-fund receivables and payables are generated when a fund incurs an expense and is waiting for reimbursement from the grantor. The balance represents the amount of cash provided by the General Fund to cover the expense until payment is received. All of these balances are expected to be collected in the subsequent year. Interfund transfers generally occur for two reasons; to correct the recording of expenses or revenue and to cover over-expenditures of Special Revenue Funds.

Receivables and payables from interfund transactions as of June 30, 2013 are listed below:

Governmental Activities:		Interfund Receivable	Interfund Payables
Fund # Major Funds:			
11000	Operational Fund	\$ 26,491,708	\$ -
24101	Title I IASA		(5,985,190)
24106	IDEA-B Entitlement		(9,477,514)

Nonmajor Funds:		
24109	Preschool IDEA-B	(87,542)
24112	IDEA-B Early Intervention Services	(2,047,598)
24113	Education Of Homeless	(13,116)
24115	IDEA-B Private School Share	(33,839)
24119	21st Community Learning Centers	(73,475)
24120	IDEA-B Risk Pool	(68,948)
24124	Title I 1003g Grant	(617,154)
24153	English Language Acquisition	(580,314)
24154	Teacher / Principal Training & Recruiting	(1,484,812)
24162	Title I School Involvement	(1,410,271)
24171	Carl D. Perkins Special Projects Current	(10,377)
24174	Carl D. Perkins Secondary Current	(497,602)
24176	Carl D. Perkins Secondary Redistribution	(59,009)
24180	Carl D Perkins HSTW Current	(34,697)
24182	Carl D Perkins HSTW Redistribution	(7,945)
24224	Title I 1003g Grant Federal Stimulus	(613,603)
25112	Collaborative Research and Development	(11,449)
25131	Johnson O'Malley	(14,227)
25145	Impact Aid Special Education	(1,901)
25173	School Leadership Program	(61,203)
25184	Indian Education Formula Grant	(160,764)
25200	ROTC	(9,084)
25215	Elementary School Counseling	(46,193)
25217	Smaller Learning Communities	(182,704)
25243	Safe & Drug Free Schools & Communities	(364,282)
25251	U.S. Dept. of Interior Fish & Wildlife	(88)
26118	ABEC Job Mentor Instruction	(47,905)
27103	Dual Credit Instructional Materials	(34,324)
27111	Formative Assessments Laws of 2012	(80,720)
27114	New Mexico Reads for Lead K-3	(170,553)
27117	Technology for Education	772,162
27138	Incentives for School Imprv Act	6,140
27149	Pre-K Initiative	(289,711)
27155	Breakfast for Elementary Students	(139,480)
27166	Kindergarten Three-Plus	(1,281,530)
27171	2010 GOB Instructional Materials	(113,399)
27175	Innovative Solutions for Struggling Schools	(153,260)
28102	Graduation Reality & Dual Skills	(3,779)
28106	School Wellness	93
28180	Regional Quality Center	2,096
28191	Start Smart K-3 Utah State University Study	(65,422)
29102	Private Direct Grants (Categorical)	17,779
29107	City / County Grants	(440,058)
31400	Special Capital Outlay – State	(514,936)
		<u>\$ 27,289,978 \$ (27,289,978)</u>

Fund #	Major Funds:	Interfund Transfer From	Interfund Transfer To
11000	Operating Fund	\$ -	\$ 55
	Nonmajor Funds:		
24154	Teacher / Principal Training & Recruiting	1,412	-
28140	Coordinated Approach to Child Health	23	-
29107	City/County Grants		1,380
31100	Bond Building	160,102	
31400	Special Capital Outlay - Local	-	485,180
31600	Capital Improvements HB-33	325,078	-
		<u>\$ 486,615</u>	<u>\$ 486,615</u>

NOTE 7. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2013, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	Balance 6/30/2012	Additions	Deletions/ Adjustments	Transfers	Balance 6/30/2013
Governmental Activities:					
Capital Assets not depreciated:					
Land	\$ 53,243,106	\$ -	\$ -	\$ 50,006	\$ 53,293,112
Construction in Progress	104,545,593	157,964,227	(17,437,066)	(95,438,752)	149,634,002
Total Capital Assets, not depreciated	<u>157,788,699</u>	<u>157,964,227</u>	<u>(17,437,066)</u>	<u>(95,388,746)</u>	<u>202,927,114</u>
Land Improvements	127,611,311	(288,635)	-	1,823,906	129,146,582
Building and Building Improvements	1,518,782,173	-	(6,507,382)	93,564,840	1,605,839,631
Equipment, Furniture and Fixtures	75,611,209	699,368	(12,713,610)	-	63,596,967
Intangibles	15,889,216	-	-	-	15,889,216
Vehicles/Heavy Equipment	13,882,142	721,585	(356,037)	-	14,247,690
Total Capital Assets, being depreciated	<u>1,751,776,051</u>	<u>1,132,318</u>	<u>(19,577,029)</u>	<u>95,388,746</u>	<u>1,828,720,086</u>
Less: Accumulated Depreciation					
Land Improvements	(78,125,823)	(3,139,294)	(4,427)	-	(81,269,544)
Building and Building Improvements	(535,633,091)	(58,779,603)	5,369,192	-	(589,043,502)
Equipment, Furniture and Fixtures	(64,284,185)	(4,674,014)	14,828,578	-	(54,129,621)
Intangibles	(12,711,373)	-	(3,177,843)	-	(15,889,216)
Vehicles/Heavy Equipment	(12,486,419)	(465,274)	319,112	-	(12,632,581)
Total accumulated depreciation	<u>(703,240,891)</u>	<u>(67,058,185)</u>	<u>17,334,612</u>	<u>-</u>	<u>(752,964,464)</u>
Total Capital Assets, being depreciated net	<u>1,048,535,160</u>	<u>(65,925,867)</u>	<u>(2,242,417)</u>	<u>95,388,746</u>	<u>1,075,755,622</u>
Governmental activities Capital assets, net	<u>\$ 1,206,323,859</u>	<u>\$ 92,038,360</u>	<u>\$ (19,679,483)</u>	<u>\$ -</u>	<u>\$ 1,278,682,736</u>

Depreciation expense for the year ended June 30, 2013 was charged to governmental activities as follows:

Instruction	\$ 538,129
Support Services	654,000
Operation and Maintenance of Plant	53,496
Operation of Noninstructional Services	294,516
Unallocated	65,518,044
	<u>\$ 67,058,185</u>

NOTE 8. Long-term Debt

During the year ended June 30, 2013 the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013	Current Portion	Long-term Debt
General Obligation Bonds	\$ 520,880,227	\$ 39,670,000	\$ 77,801,792	\$ 482,748,435	\$ 35,371,792	\$ 447,376,643
Premiums	15,744,141	5,221,700	3,161,411	17,804,430	2,022,375	15,782,055
Subtotal	536,624,368	44,891,700	80,963,203	500,552,865	37,394,167	463,158,698
Education Technology Notes	18,600,000	13,000,000	4,290,000	27,310,000	11,915,000	15,395,000
Premiums	1,168,542	220,812	416,413	972,941	625,100	347,841
Subtotal	19,768,542	13,220,812	4,706,413	28,282,941	12,540,100	15,742,841
Compensated Absences	3,835,365	3,429,523	3,380,595	3,884,293	1,294,764	2,589,529
Estimated Claims Liability	44,744,499	74,953,246	89,921,055	29,776,690	15,740,988	14,035,702
OPEB Obligation	284,924	31,839	-	316,763	-	316,763
Total	\$ 605,257,698	\$ 136,527,120	\$ 178,971,266	\$ 562,813,552	\$ 66,970,019	\$ 495,843,533

Compensated absences are paid from the same funds from which the employees are paid. Totals above include current portions and long-term portions.

Bonds are secured by the District's full faith and credit and are general obligations of the District payable from ad valorem taxes to be levied, without limitation as to rate or amount, against all taxable property within the District. Debt service debt requirements are liquidated as property taxes are received and debt service principal and interest payments become due. They are paid primarily from the General Fund and Debt Service Fund. Interest on all issues is payable semiannually on February 1 and August 1. Principal is payable annually on August 1. The proceeds of the bonds are being used for the purpose of erecting, remodeling, making additions to and furnishing school buildings, and purchasing and improving school grounds.

Refunded Bonds

On August 2, 2012, APS refunded general obligation bonds in the amount of \$42.6 million with the issuance of \$39.7 million in new debt. The bonds refunded are Series 2005, \$10.3 million; Series 2004, \$14.3 million; and Series 2006C, \$18.0 million. Net savings on this refunding was \$3,359,330. On August 29, 2012, APS sold \$13 million in Educational Technology Notes. This funding will be used for educational technology needs including infrastructure through the District. This sale is part of the \$225 million authorization approved by voters in February 2010.

Arbitrage/Yield Reduction

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the United States Treasury at least every five years. The District did not have any arbitrage liability at June 30, 2013.

Bond proceeds may be invested in higher yielding investments only during a temporary period described in Regulation section 1.148-2(e). After expiration of an applicable temporary period, proceeds must be yield restricted.

General obligation bonds and notes issued and outstanding at June 30, 2013 are as follows:

Date of Issue	Original Issue	Amount Outstanding	Interest Rates	Final Maturity Date
Bonds				
August 22, 2001	\$ 50,850,000	\$ -	4.00-5.00%	8/1/2016
December 29, 2004	28,010,000	750,000	3.00-4.125%	8/1/2020
February 1, 2005	4,625,000	1,668,825	-	8/1/2020
February 1, 2005	21,375,000	-	3.00-4.50%	8/1/2014
January 17, 2006	7,160,000	2,994,610	-	8/1/2020
October 10, 2006	63,980,000	11,760,000	4.00 - 5.00%	8/1/2021
December 27, 2007	75,000,000	47,450,000	4.00 - 5.00%	8/1/2022
September 10, 2008	134,000,000	110,000,000	4.00 - 5.00%	8/1/2023
May 10, 2009	124,700,000	91,600,000	3.50 - 5.00%	8/1/2022
October 1, 2009	14,300,000	14,300,000	-	8/1/2024
November 1, 2009	16,800,000	14,545,000	3.00 - 5.00%	8/1/2018
September 22, 2010	85,410,000	77,400,000	1.50 - 3.0%	8/1/2021
September 22, 2010	32,690,000	32,690,000	4.5%	8/1/2027
September 22, 2010	31,900,000	31,900,000	4.0 - 4.15%	8/1/2024
May 24, 2011	8,940,000	6,020,000	2.0 - 4.0%	8/1/2016
August 2, 2012	39,670,000	39,670,000	2.00 - 5.00%	8/1/2021
2011 Educational Technology Notes				
May 24, 2011	\$ 18,600,000	\$ 14,310,000	4.0 - 5.0%	8/1/2015
August 29, 2012	13,000,000	13,000,000	1.00 - 2.00%	8/1/2017

The annual requirements to amortize the General Obligation Bonds and Educational Technology Notes as of June 30, 2013, including interest payments are as follows:

General Obligation Bonds

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	35,371,792	18,487,512	53,859,304
2015	36,761,792	17,175,837	53,937,629
2016	37,481,792	15,813,088	53,294,880
2017	37,716,792	14,386,138	52,102,930
2018	37,841,792	12,875,038	50,716,830
2019-2023	206,684,475	38,715,593	245,400,068
2024-2029	90,890,000	6,473,875	97,363,875
Totals	\$ 482,748,435	\$ 123,927,081	\$ 606,675,516

Educational Technology Notes

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	11,915,000	684,850	12,599,850
2015	5,745,000	440,025	6,185,025
2016	5,750,000	190,750	5,940,750
2017	1,950,000	43,750	1,993,750
2018	1,950,000	14,625	1,964,625
Totals	\$ 27,310,000	\$ 1,374,000	\$ 28,684,000

Compensated Absences – Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During the fiscal year June 30, 2013, compensated absences increased \$48,928 from the prior year accrual. See Note 1 for more details.

Operating Leases – The District leases various equipment under short-term cancelable operating leases.

Rental expense for the year ended June 30, 2013 was \$ 2,196,311.

NOTE 9 Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied each year on July 1, on the taxable valuation of property located in the District as of the preceding January 1. The taxable valuations for the various classes of property are determined by the Bernalillo and Sandoval Counties Assessors and the State of New Mexico Department of Taxation and Revenue at one-third of assessed valuation. Property in the District for the fiscal year 2013 tax levy had a taxable value of \$14,492,037,500.

The rate of taxes for operating purposes for all taxing jurisdictions is limited by the State Constitution to 20 mills (\$20 per \$1,000 assessed valuation) of which the District's House Bill 33 portion, by state regulation, is limited to 15 mills. Taxes are payable in two equal installments due on November 10 and April 10 and become delinquent after 30 days.

Unearned Revenue and Property Taxes Receivable at June 30, 2013 are as follows :

	Unearned Revenue			Current Portion	Accounts
	Current Taxes	Delinquent Taxes	Total	Delinquent Taxes	Receivable
General Fund	\$ 88,269	\$ 388,046	\$ 476,315	\$ 59,752	\$ 536,067
Capital Projects	6,113,681	6,390,065	12,503,746	976,026	13,479,772
Debt Service	1,548,445	4,540,034	6,088,479	689,477	6,777,956
Total	\$ 7,750,395	\$ 11,318,145	\$ 19,068,540	\$ 1,725,255	\$ 20,793,795

The District has calculated property taxes by multiplying the tax levy by the taxable value, reducing that amount by actual collections, and recording the difference as deferred revenue. Delinquent property taxes are estimated based on the various mill levies, as the split between funds is not available from the taxing districts. The amount estimated at June 30, 2013 for delinquent taxes is \$11,318,145 and is recorded as unearned revenue.

NOTE 10. Other Required Individual Fund Disclosures

Generally Accepted Accounting Principles require disclosures as part of the Combined Statements of certain information concerning individual funds including excess of expenditures over appropriations. There were no funds that exceeded approved budgetary authority for the year ended June 30, 2013.

NOTE 11. ERA Pension Plan

Plan Description:

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

Funding Policy.

Member Contributions

Plan members earning \$20,000 or less annually are required by statute to contribute 7.9% of their gross salary. Plan members earning over \$20,000 annually are required to make the following contributions to the plan: 9.4% of their gross salary in fiscal year 2013; 10.10% of their gross salary in fiscal year 2014; and 10.7% of their gross salary in fiscal year 2015 and thereafter. The District was required during 2013 to contribute 12.4% for employees earning \$20,000 or less and 10.9% for employees earning more than \$20,000 annually. Starting 2014 the District will be required to contribute 13.15% of the gross covered salary for all eligible employees. The contribution requirements of plan members and the District are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature.

Employer Contributions

In fiscal year 2013, the District was required to contribute 12.4% of the gross covered salary for employees whose annual salary is \$20,000 or less, and 10.9% of the gross covered salary for employees whose annual salary is more than \$20,000.

In the future, the District will contribute the following percentages of the gross covered salary of employees: 13.15% of gross covered salary in fiscal year 2014; and 13.9% of gross covered salary in fiscal year 2015.

The contribution requirements of plan members and the District are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to ERB for the fiscal years ending June 30, 2013, 2012, and 2011 were \$52,217,878, \$45,658,413 and \$53,691,529, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 12. Post-Employment Benefits

State Retiree Health Care Act:

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the 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 post-employment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy:

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

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

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

The District's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$9,553,387, \$8,426,387, and \$7,693,346, respectively, which equal the required contributions for each year.

Post-Employment Life Insurance Benefits and Required Supplementary Information:

Plan Description: The District's Postemployment Life Insurance Plan is a single employer defined benefit plan administered by the District that provides Basic Life Insurance to a frozen group of employees who retired prior to July 1, 2000. Insurance benefits are authorized by a resolution from the District's Board of Education. This amount is equal to \$1,000, increased by \$200 as of each anniversary of employment, subject to a maximum benefit of \$4,000. A fully-insured premium rate of \$1.830/\$1,000 is charged; however, the retirees make no contribution toward this coverage. The number of retirees covered as of July 1, 2013 was 2,385 and the present value of coverage was \$7,700,096.

Optional Life Insurance is also offered to those employees who retired prior to July 31, 2001. The fully-insured premium rates are age-banded. Eligible employees contribute \$0.116/\$1,000 of their respective age-banded premium rate with the District paying the remainder of the premium. The number of retirees covered as of July 1, 2013 was 2,554 and retiree contributions were \$299,684.

The District recognizes the cost of providing the life insurance benefits by charging the insurance premiums to expenditures. Life insurance benefits are paid through premiums to Standard Life Insurance Company under an indemnity plan. The District's Board is responsible for establishing and amending benefit provisions of the Post Employment Life Insurance Plan.

Annual OPEB Cost and Annual Required Contribution: The major component of the annual OPEB cost is the annual required contribution (ARC). The ARC is the sum of the normal cost and the

amortization of the unfunded actuarial accrued liability. The unfunded actuarial accrued liability is amortized over the average life expectancy for the retired population of nine years. The ARC for APS's postemployment benefit plan for the period July 1, 2012 to June 30, 2013 is \$973,915 which is comprised of the Annual Amortization Payment (plus interest) of \$938,388 and adjustment to ARC of \$35,528.

The other components of the annual OPEB cost are one year's interest on the net OPEB obligation (defined below) at the beginning of the year and adjustment to the ARC. The adjustment to the ARC is the discounted present value of the net OPEB obligation at the beginning of the year.

The following tables provide the annual required contribution ("ARC") for the period July 1, 2012 to June 30, 2013 and an estimate of the net OPEB obligation as of June 30, 2013.

Post-Employment Benefit Plan

Annual Required Contribution(ARC)	
Normal Cost	\$
Interest on Normal Cost	
Amortization Payment	924,621
Adjustment to ARC	35,528
Interest on Amortization Payment	13,767
Total	\$ 973,916
NET OPEB OBLIGATION	
Net OPEB Obligation – Beginning of year	\$ 284,924
ARC	\$ 973,915
Interest on Net OPEB Obligation	8,548
Adjustment to ARC	(35,528)
Annual OPEB Cost	\$ 946,935
Employer Contributions	(915,096)
Increase in Net OPEB Obligation	\$ 31,839
Net OPEB Obligation-End of Year	\$ 316,763
Percentage of OPEB Cost Contributed	96.64%

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the 2013 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2011	820,473	94.54%	219,578
06/30/2012	1,008,041	93.52%	284,924
06/30/2013	946,935	96.64%	316,763

Methods and Assumptions:

GASB 45 allows the use of one of several actuarial cost methods. These cost methods allocate the OPEB costs differently. The method used in this valuation is the *Projected Unit Credit*. The valuation results are developed assuming a discount rate of 3%. Under GASB 45, the discount rate to be used for the valuation is determined based on the long term investment yield on the investments used to finance the payment of benefits. For this valuation it is assumed that postemployment benefits are paid from general assets which generally consist of short-term investments.

The participation assumption is the assumed percentage of future retirees that participate and enroll in the life insurance plan. The participation assumption used in this valuation is 100%.

Funded Status:

The actuarial accrued liability is the present value of future benefits which is attributable to past service. The actuarial accrued liability of APS's postemployment benefit plan as of July 1, 2013 is \$7,700,096. The unfunded actuarial accrued liability is the difference between the actuarial accrued liability and the actuarial value of plan assets. Plan assets are financial assets that are segregated and restricted in a trust (or equivalent arrangement). Assets in this trust are dedicated to providing benefits to plan participants and are legally protected from creditors of employers. Since there are no plan assets, the unfunded actuarial accrued liability for APS's postemployment benefit plan is the same as the actuarial accrued liability, \$7,700,096. Amortization of unfunded Actuarial Accrued Liability is a Level Dollar amount and the period used for amortization of unfunded balances is closed. The closed plan is for retired employees.

NOTE 13. Contingent Liabilities

A number of legal claims are presently pending against the District. It is the opinion of the District's management, after consulting with outside legal counsel, that final settlement of these matters will not exceed estimated defense and liability accruals, and will not result in any material adverse effect on the financial position of the District.

The District receives revenues from various Federal and State grant programs, which are subject to review and approval as to allowable expenditures by the respective grantor agencies. Any settlements or expenditures arising from a final review are recognized in the period agreed upon by the agency and the District.

Commitments:

Albuquerque Public Schools contracts with outside vendors for construction and renovation of various facilities. At June 30, 2013, commitments and encumbrances outstanding for capital projects totaled \$49,034,589.

NOTE 14. Risk Management

The District is exposed to various risks of loss related to theft of, damage to and destruction of assets; errors and omissions; and injuries to employees. APS established a self-insurance fund to conduct these risks and administers its own employee benefit and risk management programs as a self-insured program. APS purchases specific excess insurance. There is a self-insured retention (per occurrence) of \$350,000 for workers compensation, \$350,000 for liability and \$250,000 for property. APS is subject to tort immunities. School board errors and omissions have \$350,000 retention. APS believes its main exposure to risk of loss is in the category of liability claims. Any loss exceeding the deductible of \$350,000 would be covered under the purchased excess loss policy. Losses in the mentioned categories are the subject of insurance and/or actuarially reviewed retentions. APS has not incurred any losses in excess of coverage during the past 4 years. The claims liabilities reported in the Risk Management Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic factors. The actuarial review validated that the current reserves are adequate for reserves in anticipation of adverse developments in reported cases and for claims which may have occurred but have not yet been reported.

Liabilities for estimated claims for the last two years are summarized as follows:

Fiscal Year 2013	Balance 06/30/12	Additions	Deletions	Balance 06/30/13
Liability and Property	\$ 11,313,023	\$ 1,226,150	\$ (5,669,714)	\$ 6,869,459
Worker's Compensation	13,212,387	3,482,327	(4,892,483)	11,802,231
Health Claims	16,267,523	66,671,704	(72,614,149)	10,325,078
Dental Claims	3,355,796	3,288,177	(5,913,379)	730,594
Vision Claims	595,770	284,888	(831,330)	49,328
	<u>\$ 44,744,499</u>	<u>\$74,953,246</u>	<u>\$ (89,921,055)</u>	<u>\$ 29,776,690</u>

Fiscal Year 2012	Balance 06/30/11	Additions	Deletions	Balance 06/30/12
Liability and Property	\$ 8,866,469	\$ 8,761,668	\$ 6,315,114	\$ 11,313,023
Worker's Compensation	12,199,641	5,029,575	4,016,829	13,212,387
Health Claims	16,664,351	73,572,952	73,969,780	16,267,523
Dental Claims	3,481,320	5,719,034	5,844,558	3,355,796
Vision Claims	490,445	876,718	771,393	595,770
	<u>\$ 41,702,226</u>	<u>\$93,959,947</u>	<u>\$ 90,917,674</u>	<u>\$ 44,744,499</u>

NOTE 15. Subsequent Events

On September 24, 2013, APS sold \$43.4 million in General Obligation Notes. This funding will be used to fund capital project needs throughout the District. This sale is the final installment of the \$225 million authorization approved by voters in February 2010.

On August 23, 2013, APS entered into a 20 year lease purchasing agreement with the New Mexico Finance Authority. The \$2.7 million agreement was to obtain a charter school facility for Digital Arts & Technology Academy.

NOTE 16. Joint Powers Agreements

1. The District has entered into Joint Powers Agreements with the City of Albuquerque (the City) to develop, improve and maintain Joint Use Parks for use by the city as public parks and by the District as public school grounds. The District has exclusive use of the facilities during regular school operating hours. At all other times, the City may use the facilities. The City currently has responsibility for the maintenance of 20 of these Joint Use Parks and charges the District for its 35% (approximately \$200,000 per year) share of the maintenance costs on a quarterly basis.
2. The District entered into a Joint Powers Agreement with the City of Albuquerque (the City) on April 21, 1976 for the construction and maintenance of an indoor swimming pool at Highland High School. The District paid approximately \$300,000 and the City paid for the balance of the total design and construction cost of approximately \$670,000. The City is responsible, at its sole expense, for the maintenance, operation, and custodial care of the facility. The District has first priority in using the facility during regular school hours during the regular school year and for a period of one and one half hours after regular school hours during the competitive swimming season. The City has the right to use the facility on a space available basis during this time. The District has second priority to use the facility for school related purposes at other times. The term of this agreement shall expire 75 years from the date of completion and acceptance of the facility. Upon termination, the City's rights in the facility shall cease and the District shall be the sole owner thereof.

3. The District entered into a Joint Powers Agreement with the County of Bernalillo (the County) on March 17, 1976 for the construction and maintenance of an indoor swimming pool at Rio Grande High School. The County paid \$250,000 and the District paid for the balance of the total design and construction cost of approximately \$680,000. The County is responsible, at its sole expense, for the maintenance, operation and custodial care of the facility. The District has first priority in using the facility during regular school hours during the regular school year and for a period of one and one half hours after regular school hours during the competitive swimming season. The County has the right to use the facility on a space available basis during this time. The District has second priority to use the facility for school related purposes at other times. The term of this agreement shall expire 75 years from the date of completion and acceptance of the facility. Upon termination, the County's rights in the facility shall cease and the District shall be the sole owner thereof.
4. The District entered into a Joint Powers Agreement with the City of Albuquerque (the City) on August 1, 1987 for the construction and maintenance of an indoor swimming pool at Sandia High School. The City and the District each paid half of the total design and construction cost of approximately \$1,000,000. The City is responsible, at its sole expense, for the maintenance, operation and custodial care of the facility. The District has first priority in using the facility during regular school hours during the regular school year and for a period of one and one half hours after regular school hours during the competitive swimming season. The City has the right to use the facility on a space available basis during this time. The District has second priority to use the facility for school related purposes at other times. The term of this agreement shall expire 75 years from the date of completion and acceptance of the facility. Upon termination, the City's rights in the facility shall cease and the District shall be the sole owner thereof.
5. The District entered into a Joint Powers Agreement with the City of Albuquerque (the City) on October 6, 1981 for the construction and maintenance of a soccer field / play area at Osuna Elementary School. The City paid approximately \$93,500 and the District paid approximately \$30,000 of the total design and construction cost of approximately \$123,500. The City is responsible, at its sole expense, for the maintenance, operation and custodial care of the facility. The District has first priority in using the facility during regular school hours during the school year. The District has second priority to use the facility at other times. The term of this agreement shall expire 75 years from the date of completion and acceptance of the facility. Upon termination, the City's rights in the facility shall cease and the District shall be the sole owner thereof.
6. The District entered into an Intergovernmental Agreement with the City of Albuquerque (the City) on October 4, 2000 providing for operation by the City of a community center at McKinley Middle School. The term of the agreement will be fifty years from the effective date. The agreement provides for the joint use of the facility by the City and the District. The City has sole responsibility for maintenance, operation, and custodial care of the community center. The District has exclusive use of the facility during regular school hours, the City has exclusive use of the facility outside of school hours. The City also has access to McKinley Middle School facilities including the gymnasium, cafeteria and restrooms for community center program use outside of regular school hours. The City owns the community center facility and associated improvements, and the District owns the site. Upon termination of the agreement the District will assume ownership of the facility.
7. A supplement to the McKinley Middle School Community Center Intergovernmental Agreement entered into June 30, 2003 provided for the addition of a sports and fitness center to be built, managed and operated by the City at the McKinley Middle School site.

Charter Schools

8. The District entered into an agreement with Robert F. Kennedy Charter School (RFK) on May 15, 2009 regarding the use of 27 portable buildings for use as classrooms and administrative offices. Costs incurred by APS in making the portable buildings available to RFK including the cost of renovation, repair, site preparation, installation, maintenance and utilities are recovered through lease and maintenance payments made by RFK to APS over the life of RFK's use of the property. During the 2012-2013 school year, APS billed RFK \$307,226 for these facilities. This agreement is effective

through June 30, 2014 unless extended by both parties or terminated in writing at any time after July 1, 2010.

9. The District entered into an agreement with Public Academy of Performing Arts (PAPA) on March 31, 2010 regarding the use of portable buildings for use as classrooms and administrative offices. The agreement was updated effective July 19, 2011. Costs incurred by APS in making the portable buildings available including the cost of renovation, repair, site preparation, installation, maintenance and utilities are recovered through lease and maintenance payments to be made by PAPA to APS over the life of PAPA's use of the property. APS has agreed to lease the site to PAPA for as long as PAPA's charter has not been revoked or not renewed; and PAPA remains in compliance with the terms of the MOU. During the 2012-2013 school year, APS billed PAPA \$326,040 for rental and maintenance of these facilities. In exchange for PAPA agreeing to pay to APS the sum of \$213,642 which is anticipated from HB33 money received by PAPA, APS has agreed to purchase, install and supply the following: a) 2 portable facilities, b) renovation of the administration facility, c) renovation of science rooms and d) computers and other equipment. A new agreement was signed on May 22, 2013 and is effective July 1, 2013.
10. The District entered into an agreement with Montessori of the Rio Grande Charter School (MRG) on November 29, 2009 regarding the use of certain school facilities referred to as the "Gabaldon site" which APS acquired on October 30, 2009 for use by MRG. APS was responsible for making the Gabaldon site suitable for use including the completion of necessary renovations, making facility repairs and providing maintenance and utilities. During the 2012-2013 school year, APS billed MRG \$186,916 for site use. This agreement is effective as long as MRG's charter has not been revoked and MRG remains in compliance with terms of the agreement.
11. The District entered into a second agreement with MRG effective July 1, 2013, regarding the maintenance of certain school facilities referred to as the "Gabaldon site." MRG agrees to be held responsible for all maintenance and expenses for the facility. This agreement is effective as long as MRG's charter has not been revoked and MRG remains in compliance with terms of the agreement.
12. The District entered into an agreement with Native American Community Academy Charter School (NACA) on August 1, 2012 regarding the use of 25 portable buildings at Wilson Middle School for students of NACA. Costs incurred by APS in making the portable buildings available including the cost of renovation, repair, maintenance and utilities are recovered through lease payments made by NACA to APS. The lease payments are equal to 6% of NACA's Operational Budget. Additional costs paid by NACA for facility maintenance and upgrades, IT maintenance and upgrades, and a water service are deducted from the lease payments. During the 2012-2013 school year, APS billed NACA \$390,521 for rental costs. The agreement also covers the joint collaborative use of certain Wilson Middle School facilities including the library, gym, cafeteria and playground. This agreement was terminated June 30, 2013.
13. The District entered into an agreement with Native American Community Academy Charter School (NACA) on July 23, 2009 for the purpose of retaining qualified design professionals to design new school facilities to be occupied by NACA and to undertake such other tasks in connection with the design and construction of those facilities as is necessary and appropriate. This agreement was terminated June 30, 2013.
14. The District entered into an agreement with Nuestros Valores Charter Schools (NVCS) on October 18, 2011 regarding the use of the Old Armijo School (Armijo) for purposes reasonably related to the operation of the NVCS School. APS owned Armijo, which until recently was leased by APS to Bernalillo County. NVCS has occupied Armijo since it was authorized in 2000. APS and NVCS agree that NVCS's continued occupancy of Armijo is in the best interest of both parties. Costs incurred by APS include repairs and maintenance including janitorial services, utilities, landscaping, insurance, communications and technology systems are recovered through lease and maintenance payments to be made by NVCS to APS over the life of NVCS's use of the property. APS has agreed to lease the site to NVCS for as long as NVCS's charter has not been revoked or not renewed; and NVCS remains in

compliance with the terms of the MOU. During the 2012-13 school year, APS billed NVCS \$69,036 for rental and maintenance of these facilities. Either party may terminate the agreement in whole, or in part, in writing at any time before the date of expiration.

15. The District entered into an agreement with the Board of Education of the Albuquerque Municipal School District No. 12, Counties of Bernalillo and Sandoval, and the Native American Community Academy Charter School (NACA) on August 10, 2011 in regards to subleasing part of the University of New Mexico School of Law. The term of the sublease is 1 year with the option to renew for one additional year with the same terms and conditions. APS/NACA shall pay rent in the amount of \$61,200 payable in monthly payments of \$5,100. This agreement was terminated August 11, 2012.
16. The District entered into an agreement with South Valley Academy (SVA) on August 22, 2012, regarding the use of certain school facilities including 16 acres of land, permanent buildings, and portable buildings. APS will be responsible for making the, making facility repairs and providing maintenance and utilities. SVA will be responsible for all costs of removing any portable buildings. In exchange for SVA agreeing to pay to APS the sum of \$213,738 which is anticipated from HB33 money received by SVA, APS has agreed to purchase and supply the following: a) specified utilities, b) custodial services, c) specified security, d) insurance, and d) specified maintenance of buildings and grounds. During the 2012-2013 school year, APS billed SVA \$ 249,608 for site use. A new agreement was signed on June 6, 2013 and is effective July 1, 2013.

Childhood Development Centers

17. An Intergovernmental Agreement between the District and the City of Albuquerque dated May 7, 1990 and renewable every five years provides for the operation of Childhood Development Centers to provide early childhood education and full-day, year around child day care for children from lower-income families located on eight school sites in the City. The City has provided for the purchase and any necessary modifications of portable classrooms, development of playground areas and other expenditures required for the establishment of the centers. The District has provided space for the installation of the classrooms and retains title to the facilities. The City provides for the staffing and general operation of the centers.

This agreement was amended and extended on September 13, 2011, for one additional two year term, terminated on May 8, 2013.

Head Start Program

18. A Memorandum of Agreement between the District and the Youth Development, Inc. (YDI) dated May 1, 2000 provides for the operation of Head Start Programs at seven District school locations. The agreement was updated effective June 16, 2011 and terminated June 30, 2013. YDI assumed costs associated for purchase of buildings, transportation, site development, playground construction, utility extensions, meters and operating expenses. Buildings and materials are the property of YDI. APS provides space at the sites. YDI is responsible for maintenance of the facilities. YDI provides Headstart services on a long term basis for the duration of the Headstart contract with the U.S. Department of Health and Human Services.

Museum of Natural History and Science

19. The District entered into a Joint Powers & Lease Agreement with the Museum of Natural History and Science, a division of the Department of Cultural Affairs, State of New Mexico (the Museum) on September 24, 1993 to develop, improve, operate and maintain an environmental education center that offers educational programs to public and private schools in the state. The current agreement expires August 31, 2014. The Museum shall provide and conduct educational programs at the facility for students and teachers from APS and other school districts. The Museum will be responsible for the everyday routine maintenance of the facility. The District shall provide an Environmental Education Resource Teacher at the Center and will be responsible for non-routine major maintenance for the facility.

Major maintenance expenditures over \$2,500 must be approved by the Board. The District retains ownership and use of all water and water rights at the facility.

NOTE 17. Subsequent Accounting Standard Pronouncements

In June, 2011, GASB unanimously approved Statement No. 63 for financial statements for periods beginning after December 15, 2011. This Statement establishes guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of financial position. This new framework serves to standardize the presentation of deferred balances and their effects on a government's net position and address uncertainty related to their display.

In March 2012, GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for financial statements for periods beginning after December 15, 2012. The District will adopt GASB 65 in fiscal year 2014. The District is currently evaluating what if any impact GASB Statement 65 will have on the financial statements.

GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions (Statement No. 68), which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The District provides its employees with pension benefits through a multiple employer cost-sharing defined benefit retirement program administered by the Education Retirement Board (ERB).

Statement No. 68 requires cost-sharing employers participating in the ERB program, such as the District, to record their proportionate share, as defined in Statement No. 68, of ERB's unfunded pension liability. The District has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefits or annual required contribution decisions made by ERB. The requirement of Statement No. 68 to record a portion of ERB's unfunded liability will negatively impact the District's future unrestricted net position. Statement No. 68 is effective for fiscal year 2015. At this time, management is unable to estimate the magnitude of this impact.

NOTE 18. Component Unit Restatement

The APS Foundation had acted as a fiscal agent for various APS programs and recorded them as agency funds. The Foundation, however, was exercising control over these programs and should have incorporated the program activity within the Foundation's operations. At June 30, 2012, the restricted unexpendable net position of the Foundation was understated by \$738,292 and restricted expendable net position of the Foundation was understated by \$1,181,877. Also, at June 30, 2012, assets of the Foundation were understated by \$1,920,169. The net position of the Foundation is restated as follows:

Net position at June 30, 2012, previously stated	\$ 4,427,685
Recorded program assets	<u>1,920,169</u>
Net position at June 30, 2013, as restated	<u>\$ 6,347,854</u>
The net position of the Component Units is restated as follows:	
Net position at June 30, 2012, previously stated	\$ 10,107,286
Recorded program assets	<u>1,920,169</u>
Net position at June 30, 2013, as restated	<u>\$ 12,027,455</u>

NOTE 19. Component Unit – Charter Schools

The following are dependent charter schools formed under NMSA 22-8A and, as such, are presented here as discrete component units of Albuquerque Municipal School District No. 12:

21st Century Public Academy
 Academia de Lengua y Cultura
 Albuquerque Talent Development
 Secondary Charter School
 Alice King Community School
 Christine Duncan Heritage Academy
 Corrales International Charter School
 Digital Arts & Technology Academy
 El Camino Real Academy
 Gordon Bernell Charter School
 La Academia de Esperanza
 Los Puentes Charter School
 Montessori of the Rio Grande
 Mountain Mahogany Community School
 Native American Community Academy
 Nuestros Valores Charter School
 Public Academy for Performing Arts
 Robert F. Kennedy Charter School
 School for Integrated Academics
 & Technology
 South Valley Academy
 The Bataan Military Academy

District management has determined that charter schools are major component units of the District under GASB Statement #61, since their operating budgets and charters are annually presented and approved by the District's board. Refer to previous footnotes for significant policies of the charter schools, as they are subject to the same State and Federal regulations and follow the same policies as the District. Effective June 30, 2012 Career, Academic & Technical Academy was closed and the net position was transferred during FY13, leaving a net position of \$0 as of June 30, 2013. This school is only presented in the combining statement of activities to reflect the closeout of the school. The following are summarized details of the charter schools' balances and transactions as of June 30, 2013 and for the year then ended:

A. Cash and Cash Equivalents

State statutes authorize the investment of District funds in a wide variety of instruments, including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2013.

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

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

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

The collateral pledged is listed on Schedule I of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest-bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Deposits

New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Schools for at least one-half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

Cash and cash equivalents consists of the following at June 30, 2013:

Deposits:	<u>21st Century Public Academy</u>	<u>Academia de Lengua y Cultura</u>	<u>Alb. Talent Development Secondary Charter School</u>
Total amount of deposits	\$ 194,245	\$ 191,771	\$ 239,612
FDIC coverage	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Total uninsured public funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (50% of uninsured public funds)	\$ -	\$ -	\$ -
Pledged security	<u>-</u>	<u>-</u>	<u>-</u>
Total under (over) collateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Pledged collateral held by pledging bank's trust department or agent but not in the agency's name	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Alice King Community School</u>	<u>Christine Duncan Heritage Academy</u>	<u>Corrales International Charter School</u>
Total amount of deposits	\$ 289,346	\$ 259,664	\$ 325,153
FDIC coverage	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Total uninsured public funds	<u>\$ 39,346</u>	<u>\$ 9,664</u>	<u>\$ 75,153</u>
Collateral requirement (50% of uninsured public funds)	\$ 19,673	\$ 4,832	\$ 37,577
Pledged security	<u>70,572</u>	<u>22,265</u>	<u>77,755</u>
Total under (over) collateralized	<u>\$ (50,899)</u>	<u>\$ (17,433)</u>	<u>\$ (40,178)</u>
Pledged collateral held by pledging bank's trust department or agent but not in the agency's name	<u>\$ 70,572</u>	<u>\$ 22,265</u>	<u>\$ 77,755</u>

Deposits:	Digital Arts & Technology Academy	El Camino Real Academy	Gordon Bernell Charter School (Wells Fargo)
Total amount of deposits	\$ 1,184,655	\$ 434,465	\$ 587,751
FDIC coverage	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Total uninsured public funds	<u>\$ 832,178</u>	<u>\$ 184,465</u>	<u>\$ 337,751</u>
Collateral requirement (50% of uninsured public funds)	\$ 416,089	\$ 92,233	\$ 168,876
Pledged security	<u>855,930</u>	<u>434,364</u>	<u>-</u>
Total under (over) collateralized	<u>\$ (439,841)</u>	<u>\$ (342,132)</u>	<u>\$ 168,876</u>
Pledged collateral held by pledging bank's trust department or agent but not in the agency's name	<u>\$ 855,930</u>	<u>\$ 434,364</u>	<u>\$ -</u>
Deposits:	Gordon Bernell Charter School (NMBT)	La Academia de Esperanza	Los Puentes Charter School
Total amount of deposits	\$ 42,721	\$ 1,447,562	\$ 458,238
FDIC coverage	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Total uninsured public funds	<u>\$ -</u>	<u>\$ 1,197,562</u>	<u>\$ 208,238</u>
Collateral requirement (50% of uninsured public funds)	\$ -	\$ 598,781	\$ 104,119
Pledged security	<u>612,975</u>	<u>623,735</u>	<u>214,722</u>
Total under (over) collateralized	<u>\$ (612,975)</u>	<u>\$ (24,954)</u>	<u>\$ (110,603)</u>
Pledged collateral held by pledging bank's trust department or agent but not in the agency's name	<u>\$ 612,975</u>	<u>\$ 623,735</u>	<u>\$ 214,722</u>

Deposits:	Montessori of the Rio Grande	Mountain Mahogany Community School	Native American Community Academy
Total amount of deposits	\$ 270,713	\$ 494,368	\$ 366,274
FDIC/NCUA coverage	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Total uninsured public funds	<u>\$ 20,713</u>	<u>\$ 244,368</u>	<u>\$ 116,274</u>
Collateral requirement (50% of uninsured public funds)	\$ 10,357	\$ 122,184	\$ 58,137
Pledged security	<u>131,185</u>	<u>5,000,000</u>	<u>65,778</u>
Total under (over) collateralized	<u>\$ (120,828)</u>	<u>\$ (4,877,816)</u>	<u>\$ (7,641)</u>
Pledged collateral held by pledging bank's trust department or agent but not in the agency's name	<u>\$ 131,185</u>	<u>\$ 5,000,000</u>	<u>\$ 65,778</u>

Deposits:	Nuestros Valores Charter School	Public Academy for Performing Arts	Robert F. Kennedy Charter School
Total amount of deposits	\$ 165,887	\$ 567,789	\$ 381,077
FDIC coverage	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Total uninsured public funds	<u>\$ -</u>	<u>\$ 317,789</u>	<u>\$ 131,077</u>
Collateral requirement (50% of uninsured public funds)	\$ -	\$ 158,895	\$ 65,539
Pledged security	<u>-</u>	<u>160,849</u>	<u>124,032</u>
Total under (over) collateralized	<u>\$ -</u>	<u>\$ (1,955)</u>	<u>\$ (58,493)</u>
Pledged collateral held by pledging bank's trust department or agent but not in the agency's name	<u>\$ -</u>	<u>\$ 160,849</u>	<u>\$ 124,032</u>

Deposits:	School for Integrated Academics & Technology	South Valley Academy	The Bataan Military Academy
Total amount of deposits	\$ 800,215	\$ 691,266	\$ 346,145
FDIC coverage	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Total uninsured public funds	<u>\$ 550,215</u>	<u>\$ 441,366</u>	<u>\$ 96,145</u>
Collateral requirement (50% of uninsured public funds)	\$ 275,108	\$ 220,683	\$ 48,073
Pledged security	<u>760,093</u>	<u>724,630</u>	<u>-</u>
Total under (over) collateralized	<u>\$ (484,985)</u>	<u>\$ (503,947)</u>	<u>\$ 48,073</u>
Pledged collateral held by pledging bank's trust department or agent but not in the agency's name	<u>\$ 760,093</u>	<u>\$ 724,630</u>	<u>\$ -</u>

B. Accounts Receivable

As of June 30, 2013, accounts receivable consists of the following:

	21st Century Public Academy	Academia de Lengua y Cultura	Alb. Talent Development Secondary Charter School
Intergovernmental	\$ 1,816	\$ 14,209	\$ 56,566
Other	<u>18,428</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 20,244</u>	<u>\$ 14,209</u>	<u>\$ 56,566</u>

	Alice King Community School	Christine Duncan Heritage Academy	Corrales International Charter School
Intergovernmental	\$ 59,469	\$ 34,262	\$ 3,798
Total	<u>\$ 59,469</u>	<u>\$ 34,262</u>	<u>\$ 3,798</u>

	Digital Arts & Technology Academy	El Camino Real Academy	Gordon Bernell Charter School
Intergovernmental	\$ 24,522	\$ -	\$ 67,405
Total	<u>\$ 24,522</u>	<u>\$ -</u>	<u>\$ 67,405</u>

	<u>La Academia de Esperanza</u>	<u>Los Puentes Charter School</u>	<u>Montessori of the Rio Grande</u>
Intergovernmental	\$ 24,946	\$ 160,001	\$ 2,198
Total	<u>\$ 24,946</u>	<u>\$ 160,001</u>	<u>\$ 2,198</u>

	<u>Mountain Mahogany Community School</u>	<u>Native American Community Academy</u>	<u>Nuestros Valores Charter School</u>
Intergovernmental	\$ 21,269	\$ 112,979	\$ 81,569
Other	-	46,325	-
Total	<u>\$ 21,269</u>	<u>\$ 159,304</u>	<u>\$ 81,569</u>

	<u>Public Academy for Performing Arts</u>	<u>Robert F. Kennedy Charter School</u>	<u>School for Integrated Academics & Technology</u>
Intergovernmental	\$ 75,592	\$ 10,571	\$ 9,829
Total	<u>\$ 75,592</u>	<u>\$ 10,571</u>	<u>\$ 9,829</u>

	<u>South Valley Academy</u>	<u>The Bataan Military Academy</u>
Intergovernmental	\$ 117,806	\$ 1,818
Other	4,035	-
Total	<u>\$ 121,841</u>	<u>\$ 1,818</u>

C. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2013 follows:

	<u>Balance, June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2013</u>
21st Century Public Academy				
Furniture, fixtures & equipment	\$ 74,639	\$ -	\$ -	\$ 74,639
Buildings & improvements	146,616	132,090	-	278,706
Less: accumulated depreciation	<u>(137,406)</u>	<u>(36,192)</u>	<u>-</u>	<u>(173,598)</u>
Capital assets, net	<u>\$ 83,849</u>	<u>\$ 95,898</u>	<u>\$ -</u>	<u>\$ 179,747</u>

	<u>Balance, June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2013</u>
Academia de Lengua y Cultura				
Furniture, fixtures & equipment	\$ 157,707	\$ -	\$ -	\$ 157,707
Buildings & improvements	88,890	-	-	88,890
Less: accumulated depreciation	<u>(243,365)</u>	<u>(3,232)</u>	<u>-</u>	<u>(246,597)</u>
Capital assets, net	<u>\$ 3,232</u>	<u>\$ (3,232)</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>Balance, June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2013</u>
Alb. Talent Development Secondary Charter School				
Furniture, fixtures & equipment	\$ 21,674	\$ -	\$ -	\$ 21,674
Buildings & improvements	65,000	-	-	65,000
Less: accumulated depreciation	<u>(30,253)</u>	<u>(14,440)</u>	<u>-</u>	<u>(44,693)</u>
Capital assets, net	<u>\$ 56,421</u>	<u>\$ (14,440)</u>	<u>\$ -</u>	<u>\$ 41,981</u>

	<u>Balance, June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2013</u>
Alice King Community School				
Furniture, fixtures & equipment	\$ 20,985	\$ -	\$ -	\$ 20,985
Buildings & improvements	51,539	-	-	51,539
Less: accumulated depreciation	(14,967)	(3,191)	-	(18,158)
Capital assets, net	<u>\$ 57,557</u>	<u>\$ (3,191)</u>	<u>\$ -</u>	<u>\$ 54,366</u>

	<u>Balance, June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2013</u>
Christine Duncan Heritage Academy				
Furniture, fixtures & equipment	\$ 15,187	\$ -	\$ -	\$ 15,187
Buildings & improvements	54,400	-	-	54,400
Less: accumulated depreciation	(23,722)	(9,849)	-	(33,571)
Capital assets, net	<u>\$ 45,865</u>	<u>\$ (9,849)</u>	<u>\$ -</u>	<u>\$ 36,016</u>

	<u>Balance, June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2013</u>
Corrales International Charter School				
Furniture, fixtures & equipment	\$ 18,717	\$ -	\$ -	\$ 18,717
Less: accumulated depreciation	(11,443)	(3,637)	-	(15,080)
Capital assets, net	<u>\$ 7,274</u>	<u>\$ (3,637)</u>	<u>\$ -</u>	<u>\$ 3,637</u>

	<u>Balance, June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2013</u>
Digital Arts & Technology Academy				
Furniture, fixtures & equipment	\$ 351,968	\$ -	\$ -	\$ 351,968
Buildings & improvements	54,315	-	-	54,315
Less: accumulated depreciation	(383,143)	(10,044)	-	(393,187)
Capital assets, net	<u>\$ 23,140</u>	<u>\$ (10,044)</u>	<u>\$ -</u>	<u>\$ 13,096</u>

	<u>Balance, June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2013</u>
El Camino Real Academy				
Land	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000
Furniture, fixtures & equipment	77,079	5,454	(19,486)	63,047
Buildings & improvements	10,280,855	-	-	10,280,855
Less: accumulated depreciation	(323,716)	(341,588)	19,486	(645,818)
Capital assets, net	<u>\$ 11,534,218</u>	<u>\$ (336,134)</u>	<u>\$ -</u>	<u>\$ 11,198,084</u>

	<u>Balance, June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2013</u>
Gordon Bernell Charter School				
Furniture, fixtures & equipment	\$ 191,304	\$ -	\$ (44,209)	\$ 147,095
Building improvements	15,019	-	-	15,019
Less: accumulated depreciation	<u>(72,546)</u>	<u>(39,012)</u>	<u>44,209</u>	<u>(67,349)</u>
Capital assets, net	<u>\$ 133,777</u>	<u>\$ (39,012)</u>	<u>\$ -</u>	<u>\$ 94,765</u>
	<u>Balance, June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2013</u>
La Academia de Esperanza				
Furniture, fixtures & equipment	\$ 203,103	\$ 3,545	\$ -	\$ 206,648
Vehicles	10,000	-	-	10,000
Buildings & improvements	172,253	-	(3,545)	168,708
Less: accumulated depreciation	<u>(174,300)</u>	<u>(20,789)</u>	<u>-</u>	<u>(195,089)</u>
Capital assets, net	<u>\$ 211,056</u>	<u>\$ (17,244)</u>	<u>\$ (3,545)</u>	<u>\$ 190,267</u>
	<u>Balance, June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2013</u>
Los Puentes Charter School				
Furniture, fixtures & equipment	\$ 178,317	\$ 10,945	\$ -	\$ 189,262
Buildings & improvements	222,325	10,524	-	232,849
Less: accumulated depreciation	<u>(159,831)</u>	<u>(22,069)</u>	<u>-</u>	<u>(181,900)</u>
Capital assets, net	<u>\$ 240,811</u>	<u>\$ (600)</u>	<u>\$ -</u>	<u>\$ 240,211</u>

	<u>Balance, June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2013</u>
Montessori of the Rio Grande				
Furniture, fixtures & equipment	\$ 218,713	\$ -	\$ (21,005)	\$ 197,708
Construction in progress	327,037	-	-	327,037
Less: accumulated depreciation	(108,503)	(11,929)	13,653	(106,779)
Capital assets, net	<u>\$ 437,247</u>	<u>\$ (11,929)</u>	<u>\$ (7,352)</u>	<u>\$ 417,966</u>

	<u>Balance, June 30, 2012</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Balance, June 30, 2013</u>
Mountain Mahogany Community School				
Furniture, fixtures & equipment	\$ 49,745	\$ -	\$ -	\$ 49,745
Buildings	83,685	-	-	83,685
Less: accumulated depreciation	(52,866)	(3,154)	-	(56,020)
Capital assets, net	<u>\$ 80,564</u>	<u>\$ (3,154)</u>	<u>\$ -</u>	<u>\$ 77,410</u>

	<u>Balance, June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2013</u>
Native American Community Academy				
Furniture, fixtures & equipment	\$ 13,900	\$ -	\$ -	\$ 13,900
Less: accumulated depreciation	(12,396)	(1,504)	-	(13,900)
Capital assets, net	<u>\$ 1,504</u>	<u>\$ (1,504)</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>Balance, June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2013</u>
Nuestros Valores				
Furniture, fixtures & equipment	\$ 201,433	\$ -	\$ -	\$ 201,433
Buildings & improvements	214,155	5,000	-	219,155
Less: accumulated depreciation	<u>(245,758)</u>	<u>(45,729)</u>	<u>-</u>	<u>(291,487)</u>
Capital assets, net	<u>\$ 169,830</u>	<u>\$ (40,729)</u>	<u>\$ -</u>	<u>\$ 129,101</u>
	<u>Balance, June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2013</u>
Public Academy for Performing Arts				
Furniture, fixtures & equipment	\$ 115,718	\$ 6,879	\$ -	\$ 122,597
Buildings & improvements	55,366	-	-	55,366
Less: accumulated depreciation	<u>(167,038)</u>	<u>(1,954)</u>	<u>-</u>	<u>(168,992)</u>
Capital assets, net	<u>\$ 4,046</u>	<u>\$ 4,925</u>	<u>\$ -</u>	<u>\$ 8,971</u>
	<u>Balance, June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2013</u>
Robert F. Kennedy Charter School				
Furniture, fixtures & equipment	\$ 184,240	\$ -	\$ -	\$ 184,240
Less: accumulated depreciation	<u>(175,490)</u>	<u>(1,786)</u>	<u>-</u>	<u>(177,276)</u>
Capital assets, net	<u>\$ 8,750</u>	<u>\$ (1,786)</u>	<u>\$ -</u>	<u>\$ 6,964</u>

	<u>Balance, June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2013</u>
School for Integrated Academics & Technology				
Furniture, fixtures & equipment	\$ 330,319	\$ -	\$ (2,292)	\$ 328,027
Less: accumulated depreciation	<u>(313,555)</u>	<u>(3,680)</u>	<u>2,292</u>	<u>(314,943)</u>
Capital assets, net	<u>\$ 16,764</u>	<u>\$ (3,680)</u>	<u>\$ -</u>	<u>\$ 13,084</u>

	<u>Balance, June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2013</u>
South Valley Academy				
Furniture, fixtures & equipment	\$ 378,551	\$ -	\$ -	\$ 378,551
Buildings & improvements	126,567	-	-	126,567
Less: accumulated depreciation	<u>(286,898)</u>	<u>(36,228)</u>	<u>-</u>	<u>(323,126)</u>
Capital assets, net	<u>\$ 218,220</u>	<u>\$ (36,228)</u>	<u>\$ -</u>	<u>\$ 181,992</u>

	<u>Balance, June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2013</u>
The Bataan Military Academy				
Furniture, fixtures & equipment	\$ 89,327	\$ -	\$ -	\$ 89,327
Less: accumulated depreciation	<u>(81,127)</u>	<u>(4,100)</u>	<u>-</u>	<u>(85,227)</u>
Capital assets, net	<u>\$ 8,200</u>	<u>\$ (4,100)</u>	<u>\$ -</u>	<u>\$ 4,100</u>

Depreciation expense for the year ended June 30, 2013 was charged to the following functions:

	<u>21st Century Public Academy</u>	<u>Academia de Lengua y Cultura</u>	<u>Alb. Talent Development Secondary Charter School</u>
Instruction	\$ -	\$ -	\$ -
Central Services	-	-	1,760
Operations/Plant Maintenance	-	-	6,525
School Administration	-	-	-
Capital Outlay	<u>36,192</u>	<u>3,232</u>	<u>6,155</u>
Total	<u>\$ 36,192</u>	<u>\$ -</u>	<u>\$ 14,440</u>

	<u>Alice King Community School</u>	<u>Christine Duncan Heritage Academy</u>	<u>Corrales International Charter School</u>
Instruction	\$ -	\$ -	\$ -
Business Office	-	-	-
Food Services	-	2,078	-
Transportation Services	-	-	-
Central Services	-	-	3,637
Operations/Plant Maintenance	<u>3,191</u>	<u>7,771</u>	<u>-</u>
Total	<u>\$ 3,191</u>	<u>\$ 9,849</u>	<u>\$ 3,637</u>

	<u>Digital Arts & Technology Academy</u>	<u>El Camino Real Academy</u>	<u>Gordon Bernell Charter School</u>
Instruction	\$ -	\$ -	\$ 20,388
Student Support Services	-	182	-
Support Services – Instructional	-	-	11,723
General Administration	-	-	6,449
Central Services	-	-	452
Operations/Plant Maintenance	-	1,406	-
Interest Expense – Lease Purchase	-	340,000	-
Capital Outlay	<u>10,044</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 10,044</u>	<u>\$ 341,588</u>	<u>\$ 39,012</u>

	<u>La Academia de Esperanza</u>	<u>Los Puentes Charter School</u>	<u>Montessori of the Rio Grande</u>
Instruction	\$ 8,602	\$ 2,249	\$ 7,226
Student Support	1,287	-	-
Support Services – Instructional	263	-	-
General Administration	863	-	-
School Administration	9,774	313	-
Central Services	-	-	-
Operations/Plant Maintenance	-	1,155	4,703
Capital Outlay	-	18,352	-
Total	<u>\$ 20,789</u>	<u>\$ 22,069</u>	<u>\$ 11,929</u>

	<u>Mountain Mahogany Community School</u>	<u>Native American Community Academy</u>	<u>Nuestros Valores Charter School</u>
Instruction	\$ -	\$ -	\$ 533
School Administration	-	1,504	-
Capital Outlay	3,154	-	41,975
Operations/Plant Maintenance	-	-	3,221
Total	<u>\$ 3,154</u>	<u>\$ 1,504</u>	<u>\$ 45,729</u>

	<u>Academy for Performing Arts</u>	<u>Robert F. Kennedy Charter School</u>	<u>School for Integrated Academics & Technology</u>
Instruction	\$ -	\$ -	\$ -
Direct Instruction	-	-	2,453
Operations/Plant Maintenance	1,954	-	-
Capital Outlay	-	1,786	1,227
Total	<u>\$ 1,954</u>	<u>\$ 1,786</u>	<u>\$ 3,680</u>

	<u>South Valley Academy</u>	<u>The Bataan Military Academy</u>
Direct Instruction	\$ 1,280	\$ 4,100
Support Services	2,000	-
Instructional Support	890	-
General Administration	4,368	-
School Administration	129	-
Central Services	17,136	-
Food Service	2,510	-
Capital Outlay	7,915	-
Total	<u>\$ 36,228</u>	<u>\$ 4,100</u>

D. Commitments and Liabilities

Below are details relating to operating leases, capital leases and compensated absences balances maintained by each of the charter schools as of June 30, 2013.

21st Century Public Academy: Rental expense for the year ended June 30, 2013 was \$186,941. The five-year payout of operating leases as of June 30, 2013 is as follows: 2014, \$170,184; 2015, \$170,184; 2016, \$170,184; 2017, \$170,184; and 2018, \$0. Total, \$680,736.

21st Century did not have an accrued compensated absences liability for the fiscal year ended June 30, 2013.

Academia de Lengua y Cultura: The school leased various equipment and facilities under short-term cancelable operating leases. Rental expense for the year ended June 30, 2013 was \$202,056. The school ceased operations as of June 30, 2103 and all existing leases were terminated as of June 30, 2013.

Academia de Lengua y Cultura did not have an accrued compensated absences liability for the fiscal year ended June 30, 2013.

Albuquerque Talent Development Secondary Charter School: The school leases various equipment and facilities under short-term cancelable operating leases. Rental expense for the year ended June 30, 2013 was \$217,015. The five-year payout of operating leases as of June 30, 2013 is as follows: Total, \$0.

Albuquerque Talent Development Secondary Charter School did not have an accrued compensated absences liability for the fiscal year ended June 30, 2013.

Alice King Community School: The school leases facilities under short-term cancelable operating leases. Rental expense for the year ended June 30, 2013 was \$305,330. The five-year payout of operating leases as of June 30, 2013 is as follows: Total, \$0.

Alice King Community School had a compensated absences balance of \$5,000 at the beginning of the fiscal year. Additions to the balance were \$0, which resulted in an ending balance of \$5,000. All of this balance is considered to be current.

Christine Duncan Heritage Academy: The school leases various equipment and facilities under short-term cancelable operating leases. Rental expense for the year ended June 30, 2013 was \$105,687. The five-year payout of operating leases as of June 30, 2013 is as follows: 2014, \$174,828; and 2015, \$6,828. Total, \$181,656.

Christine Duncan Heritage Academy did not have an accrued compensated absences liability for the fiscal year ended June 30, 2013.

Corrales International Charter School: The school leases a facility under a short-term cancelable operating lease. Rental expense for the year ended June 30, 2013 was \$296,579. The five-year payout of operating leases as of June 30, 2013 is as follows: 2014, \$317,719;. Total, \$317,719.

Corrales International Charter School did not have an accrued compensated absences liability for the fiscal year ended June 30, 2013.

Digital Arts & Technology Academy: The school leases various equipment and facilities under short-term cancelable operating leases. Rental expense for the year ended June 30, 2013 was \$615,955. The five-year payout of operating leases as of June 30, 2013 is as follows: 2014, \$58,762; 2015, \$8,268; 2016, \$8,268; 2017, \$8,268; 2018 and thereafter, \$689. Total, \$84,255.

Digital Arts and Technology Academy had a compensated absences balance of \$8,443 at the beginning of the fiscal year. Additions to the balance were \$1,294, which resulted in an ending balance of \$9,737. All of this balance is considered to be current.

El Camino Real Academy: The school leases various equipment and facilities under short-term cancelable operating leases. Rental expense for the year ended June 30, 2013 was \$21,554. The five-year payout of operating leases as of June 30, 2013 is as follows: 2014, \$5,526; 2015, \$5,526; 2016, \$5,526; 2017, \$5,526; and 2018, \$1,842. Total, \$23,946.

The school entered into a 30-year building lease agreement with an unrelated party with option to purchase in May 2012 and monthly payments including interest of \$58,554. The lease includes a termination clause in the event the school doesn't have sufficient funds to make the lease payments. The total cost of the building, including land and accumulated depreciation, under the capital lease was \$11,700,000 and \$170,000, respectively, as of June 30, 2013. At June 30, 2013, the future minimum payments under the capital lease are as follows 2014, \$702,649; 2015, \$702,649; 2016, \$702,649; 2017, \$702,649; 2018, \$702,649; and thereafter, \$16,578,153. Total, \$20,091,398.

Total minimum lease payments	\$ 20,091,398
Less amount representing interest	<u>8,852,782</u>
Present value of minimum lease payments	11,238,617
Less current portion	<u>196,277</u>
Long-term portion	<u>\$ 11,042,339</u>

El Camino Real Academy did not have an accrued compensated absences liability for the fiscal year ended June 30, 2013.

Gordon Bernell Charter School: The school leases various equipment and facilities under short-term cancelable operating leases. The school entered into two facility leases beginning July 1, 2008. Rental expense for the year ended June 30, 2013 was \$194,822. The five-year payout of operating leases as of June 30, 2013 is as follows: 2014, \$15,357; 2015, \$15,357; and 2016, \$15,357. Total, \$46,071.

Gordon Bernell Charter School had a compensated absences balance of \$64,705 at the beginning of the fiscal year. Additions to the balance were \$37,338, which resulted in an ending balance of \$102,043. All of this balance is considered to be current.

La Academia de Esperanza: The school leases facilities under short-term cancelable operating leases. Rental expense for the year ended June 30, 2013 was \$338,528. The five-year payout of operating leases as of June 30, 2013 is as follows: 2014, \$399,070; 2015, \$410,279; 2016, \$421,825; 2017, \$433,717; and thereafter, \$445,965. Total, \$2,499,041.

La Academia de Esperanza did not have an accrued compensated absences liability for the fiscal year ended June 30, 2013.

Los Puentes Charter School: The school leases various equipment and facilities under short-term cancelable operating leases. Rental expense for the year ended June 30, 2013 was \$313,418. The school entered into a lease to purchase agreement beginning July 1, 2011. The five-year payout of operating leases as of June 30, 2013 is as follows: 2014, \$331,282; 2015, \$340,959; 2016, \$350,927; 2017, \$361,193; and thereafter, \$371,768. Total, \$1,756,130.

Los Puentes Charter School did not have an accrued compensated absences liability for the fiscal year ended June 30, 2013.

Montessori of the Rio Grande: The school leases various equipment and facilities under short-term cancelable operating leases. Rental expense for the year ended June 30, 2013 was \$280,824. The school entered into a lease to purchase agreement beginning July 1, 2011. The five-year payout of operating leases as of June 30, 2013 is as follows: 2014, \$237,572; 2015, \$237,572; 2016, \$237,572; 2017, \$237,572; and 2018, \$237,572. Total, \$1,187,860.

Montessori of the Rio Grande did not have an accrued compensated absences liability for the fiscal year ended June 30, 2013.

Mountain Mahogany Community School: The school leases various equipment and facilities under short-term cancelable operating leases. Rental expense for the year ended June 30, 2013 was \$120,000. The five-year payout of operating leases as of June 30, 2013 is as follows: Total, \$0.

Mountain Mahogany Community School did not have an accrued compensated absences liability for the fiscal year ended June 30, 2013.

Native American Community Academy: Rental expense for the year ended June 30, 2013 was \$358,040. The five-year payout of operating leases as of June 30, 2013 is as follows: 2014, \$441,420; 2015, \$380,220; 2016, \$380,220; 2017, \$380,220; and 2018, \$380,220. Total, \$1,962,300.

Native American Community Academy did not have an accrued compensated absences liability for the fiscal year ended June 30, 2013.

Nuestros Valores Charter School: The school leases various equipment and facilities under short-term cancelable operating leases. Rental expense for the year ended June 30, 2013 was \$81,769. The five-year payout of operating leases as of June 30, 2013 is as follows: 2014, \$104,840; 2015, \$100,608; and 2016, \$100,608. Total, \$306,056.

Nuestros Valores Charter School had a compensated absences balance of \$0 at the beginning of the fiscal year. Additions to the balance were \$7,749, which resulted in an ending balance of \$7,749. All of this balance is considered to be current.

Public Academy for Performing Arts: The school leases various facilities and equipment under short-term cancelable operating leases. Rental expense for the year ended June 30, 2013 was \$256,673. Future amounts for the facilities five-year payout have not been disclosed due to the MOU with APS, which indicates that the percentage is based on the amount of SEG funds. The five-year payout of equipment leases as of June 30, 2013 is as follows: Total, \$0.

Public Academy for Performing Arts had a compensated absences balance of \$6,567 at the beginning of the fiscal year. Additions to the balance were \$1,158, which resulted in an ending balance of \$7,725. All of this balance is considered to be current.

Robert F. Kennedy Charter School: The school leases facilities under short-term cancelable operating leases. Rental expense for the year ended June 30, 2013 was \$204,426. The five-year payout of operating leases as of June 30, 2013 is as follows: 2014, \$143,737; 2015, \$143,737; 2016, \$143,737; 2017, \$143,737; and 2018, \$143,737. Total, \$718,685.

Robert F. Kennedy Charter School had a compensated absences balance of \$17,239 at the beginning of the fiscal year. Deletions to the balance were \$2,122, which resulted in an ending balance of \$15,117. All of this balance is considered to be current.

School for Integrated Academics and Technology: Rental expense for the year ended June 30, 2013 was \$30,046. The five-year payout of operating leases as of June 30, 2013 is as follows: 2014, \$52,199; 2015, \$6,649; 2016, \$6,649; and 2017, \$554. Total, \$66,051.

School for Integrated Academics and Technology did not have an accrued compensated absences liability for the fiscal year ended June 30, 2013.

South Valley Academy: The school leases various equipment and facilities under short-term cancelable operating leases. Rental expense for the year ended June 30, 2013 was \$503,858. The five-year payout of operating leases as of June 30, 2013 is as follows: 2014, \$14,081; 2015, \$14,081; and 2016, \$14,081. Total, \$42,242.

South Valley Academy had a compensated absences balance of \$6,344 at the beginning of the fiscal year. Additions to the balance were \$2,628, which resulted in an ending balance of \$8,972. All of this balance is considered to be current.

The Bataan Military Academy: The school leases facilities under short-term cancelable operating leases. Rental expense for the year ended June 30, 2013 was \$170,322. The five-year payout of operating leases as of June 30, 2013 is as follows: 2014, \$169,954. Total, \$169,954.

The Bataan Military Academy did not have an accrued compensated absences liability for the fiscal year ended June 30, 2013.

E. Educational Retirement Act (ERA) and Retiree Health Care (RHC) Contributions

21st Century Public Academy: Employer ERA contributions for the years ended June 30, 2013, 2012 and 2011 totaled \$97,140, \$103,078 and \$123,394, respectively, and employee portions totaled \$83,208, \$116,854 and \$106,637, respectively. During fiscal years 2013, 2012 and 2011, RHC remitted by the school was \$17,508, \$18,974 and \$17,971, respectively, in employer contributions, as well as \$8,754, \$9,487 and \$8,647, respectively, in employee contributions.

Academia de Lengua y Cultura: Employer ERA contributions for the years ended June 30, 2013, 2012 and 2011 totaled \$42,822, \$45,185 and \$59,864, respectively, and employee portions totaled \$36,929, \$46,587 and \$40,513, respectively. During fiscal years 2013, 2012 and 2011, RHC remitted by the school was \$7,842, \$8,834 and \$8,286, respectively, in employer contributions, as well as \$3,921, \$4,417 and \$4,135, respectively, in employee contributions.

Albuquerque Talent Development Secondary Charter School: Employer ERA contributions for the years ended June 30, 2013, 2012 and 2011 totaled \$71,489, \$56,298 and \$78,663, respectively, and employee portions totaled \$60,825, \$67,687 and \$56,498, respectively. During fiscal years 2013, 2012 and 2011, RHC remitted by the school was \$13,857, \$11,215 and \$11,093, respectively, in employer contributions, as well as \$6,467, \$5,607 and \$5,546, respectively, in employee contributions.

Alice King Community School: Employer ERA contributions for the years ended June 30, 2013, 2012 and 2011 totaled \$132,716, \$103,695 and \$92,294, respectively, and employee portions totaled \$108,697, \$115,121 and \$70,919, respectively. During fiscal years 2013, 2012 and 2011, RHC remitted by the school was \$24,564, \$20,059 and \$14,322, respectively, in employer contributions, as well as \$12,218, \$10,214 and \$7,048, respectively, in employee contributions.

Christine Duncan Academy: Employer ERA contributions for the years ended June 30, 2013, 2012 and 2011 totaled \$82,145, \$67,445 and \$99,327, respectively, and employee portions totaled \$69,192, \$77,072 and \$69,188, respectively. During fiscal years 2013, 2012 and 2011, RHC remitted by the school was \$15,033, \$13,056 and

\$13,815, respectively, in employer contributions, as well as \$7,455, \$6,528 and \$6,910, respectively, in employee contributions.

Corrales International Charter School: Employer ERA contributions for the years ended June 30, 2013, 2012 and 2011 totaled \$134,819, \$97,857 and \$91,497, respectively, and employee portions totaled \$144,777, \$117,000 and \$78,529, respectively. During fiscal years 2013, 2012 and 2011, RHC remitted by the school was \$24,770, \$19,654 and \$13,794, respectively, in employer contributions, as well as \$12,342, \$10,196 and \$4,234, respectively, in employee contributions.

Digital Arts & Technology Academy: Employer ERA contributions for the years ended June 30, 2013, 2012 and 2011 totaled \$140,789, \$122,068 and \$160,454, respectively, and employee portions totaled \$120,687, \$141,039 and \$114,895, respectively. During fiscal years 2013, 2012 and 2011, RHC remitted by the school was \$25,762, \$18,982 and \$22,597, respectively, in employer contributions, as well as \$12,881, \$10,883 and \$11,299, respectively, in employee contributions.

El Camino Real Academy: Employer ERA contributions for the years ended June 30, 2013, 2012 and 2011 totaled \$222,990, \$241,922 and \$344,946, respectively, and employee portions totaled \$192,303, \$293,594 and \$258,848, respectively. During fiscal years 2013, 2012 and 2011, RHC remitted by the school was \$40,916, \$48,283 and \$49,827, respectively, in employer contributions, as well as \$20,458, \$24,082 and \$24,774, respectively, in employee contributions.

Gordon Bernell Charter School: Employer ERA contributions for the years ended June 30, 2013, 2012 and 2011 totaled \$268,092, \$208,497 and \$168,208, respectively, and employee portions totaled \$234,056, \$254,070 and \$135,562, respectively. During fiscal years 2013, 2012 and 2011, RHC remitted by the school was \$48,598, \$41,791 and \$25,048, respectively, in employer contributions, as well as \$24,927, \$20,895 and \$12,524, respectively, in employee contributions.

La Academia de Esperanza: Employer ERA contributions for the years ended June 30, 2013, 2012 and 2011 totaled \$293,808, \$243,915 and \$221,069, respectively, and employee portions totaled \$250,806, 215,921 and \$188,814, respectively. During fiscal years 2013, 2012 and 2011, RHC remitted by the school was \$50,512, \$42,891 and \$33,417, respectively, in employer contributions, as well as \$25,256, \$19,206 and \$16,708, respectively, in employee contributions.

Los Puentes Charter School: Employer ERA contributions for the years ended June 30, 2013, 2012 and 2011 totaled \$118,919, \$92,589 and \$115,931, respectively, and employee portions totaled \$102,555, \$112,827 and \$99,979, respectively. During fiscal years 2013, 2012 and 2011, RHC remitted by the school was \$21,821, \$18,559 and \$17,719, respectively, in employer contributions, as well as \$10,910, \$9,279 and \$8,860, respectively, in employee contributions.

Montessori of the Rio Grande: Employer ERA contributions for the years ended June 30, 2013, 2012 and 2011 totaled \$96,844, \$87,764 and \$96,550, respectively, and employee portions totaled \$80,597, \$100,671 and \$80,019, respectively. During fiscal years 2013, 2012 and 2011, RHC remitted by the school was \$17,483, \$17,023 and \$14,491, respectively, in employer contributions, as well as \$8,741, \$8,512 and \$7,245, respectively, in employee contributions.

Mountain Mahogany Community School: Employer ERA contributions for the years ended June 30, 2013, 2012 and 2011 totaled \$94,537, \$74,421 and \$83,496, respectively, and employee portions totaled \$79,685, \$79,898 and \$68, , respectively. During fiscal years 2013, 2012 and 2011, RHC remitted by the school was \$17,310, \$19,654 and \$12,434, respectively, in employer contributions, as well as \$8,670, \$7,079 and \$6,220, respectively, in employee contributions.

Native American Community Academy: Employer ERA contributions for the years ended June 30, 2013, 2012 and 2011 totaled \$190,109, \$210,073 and \$215,196, respectively, and employee portions totaled \$162,918, \$254,351 and \$185,582, respectively. During fiscal years 2013, 2012 and 2011, RHC remitted by the school was

\$34,732, \$41,841 and \$32,773, respectively, in employer contributions, as well as \$17,331, \$20,975 and \$16,446, respectively, in employee contributions.

Nuestros Valores Charter School: Employer ERA contributions for the years ended June 30, 2013, 2012 and 2011 totaled \$70,471, \$82,979 and \$104,227, respectively, and employee portions totaled \$57,404, \$101,117 and \$78,525, respectively. During fiscal years 2013, 2012 and 2011, RHC remitted by the school was \$13,174, \$16,633 and \$15,001, respectively, in employer contributions, as well as \$6,457, \$8,316 and \$7,501, respectively, in employee contributions.

Public Academy for Performing Arts: Employer ERA contributions for the years ended June 30, 2013, 2012 and 2011 totaled \$172,076, \$145,179 and \$171,127, respectively, and employee portions totaled \$147,543, \$173,895 and \$137,356, respectively. During fiscal years 2013, 2012 and 2011, RHC remitted by the school was \$32,339, \$29,321 and \$23,871, respectively, in employer contributions, as well as \$16,170, \$14,660 and \$12,485, respectively, in employee contributions.

Robert F Kennedy Charter School: Employer ERA contributions for the years ended June 30, 2013, 2012 and 2011 totaled \$129,254, \$121,064 and \$176,711, respectively, and employee portions totaled \$111,945, \$142,464 and \$150,427, respectively. During fiscal years 2013, 2012 and 2011, RHC remitted by the school was \$23,872, \$23,801 and \$27,774, respectively, in employer contributions, as well as \$11,818, \$11,900 and \$13,887, respectively, in employee contributions.

School for Integrated Academics and Technology: Employer ERA contributions for the years ended June 30, 2013, 2012 and 2011 totaled \$141,301, \$115,992 and \$142,266, respectively, and employee portions totaled \$120,908, \$138,921 and \$121,084, respectively. During fiscal years 2013, 2012 and 2011, RHC remitted by the school was \$25,833, \$23,030 and \$21,613, respectively, in employer contributions, as well as \$12,917, \$11,515 and \$10,806, respectively, in employee contributions.

South Valley Academy: Employer ERA contributions for the years ended June 30, 2013, 2012 and 2011 totaled \$170,682, \$139,456 and \$170,975, respectively, and employee portions totaled \$144,206, \$167,410 and \$135,162, respectively. During fiscal years 2013, 2012 and 2011, RHC remitted by the school was \$30,675, \$27,667 and \$25,809, respectively, in employer contributions, as well as \$15,321, \$13,847 and \$12,049, respectively, in employee contributions.

The Bataan Military Academy: Employer ERA contributions for the years ended June 30, 2013, 2012 and 2011 totaled \$62,859, \$57,582 and \$64,511, respectively, and employee portions totaled \$54,190, \$67,111 and \$42,426, respectively. During fiscal years 2013, 2012 and 2011, RHC remitted by the school was \$11,534, \$11,228 and \$9,143, respectively, in employer contributions, as well as \$5,767, \$5,567 and \$4,597, respectively, in employee contributions.

F. Subsequent Events Related to Charter Schools

There were no subsequent events requiring disclosure for the year ended June 30, 2013.

G. Related Party Transactions

21st Century Public Academy: It was noted that the charter school has a foundation. The foundation does not meet state audit requirements to be audited.

Alice King Community School: It was noted that the charter school has a foundation. The foundation does not meet state audit requirements to be audited. It was also noted that the business manager's sister works as a contractor of the school in the business office. Also, the sisters serve as business manager and assistant business manager for Public Academy for Performing Arts and for Nuestros Valores Charter School.

Corrales International Charter School: It was noted that the charter school has a foundation. The foundation does not meet state audit requirements to be audited.

El Camino Real Academy: It was noted that the charter school has a foundation. The foundation does not meet state audit requirements to be audited.

Gordon Bernell Charter School: It was noted that the charter school has a foundation. The foundation does not meet state audit requirements to be audited.

La Academia de Esperanza: It was noted that the charter school has a foundation. The foundation does not meet state audit requirements to be audited. The school subleases the building from the foundation, payments to the foundation for the sublease were \$367,208

Los Puentes Charter School: The school entered into a sublease with the foundation. Total payments to the Foundation for the sublease were \$304,056.

Montessori of the Rio Grande: Lease payments were paid to APS for the fiscal year totaling \$118,948 and maintenance expenses for \$43,055, totaling \$162,003. In addition, the school has an MOU with APS for the school facilities and, as part of the MOU, all HB-33 distributions to the school are paid to APS. These totaled \$114,959 for the year ended June 30, 2013. APS is the school's authorizing school district. It was also noted that the school has a foundation and received a \$70,000 donation from the foundation.

Mountain Mahogany Charter School: The founder of the school also owns the property that the school rents. The founder also donated \$0, \$21,987 and \$1,500 to the school in fiscal years 2013, 2012 and 2011, respectively. It was also noted that the school has a foundation. The foundation has been open since 2003. The foundation does not meet state audit requirements to be audited.

Native American Community Academy: Lease payments were made to APS in the amount of \$358,040; APS is the school's authorizing school district.

Nuestros Valores Charter School: It was noted that the business manager's sister works as a contractor of the school in the business office. Also, the sisters serve as business manager and assistant business manager for Public Academy for Performing Arts and for Alice King Community School.

Public Academy for Performing Arts and Alice King Community School: It was noted that the business manager's sister works as a contractor of the school in the business office. Also, the sisters serve as business manager and assistant business manager for Alice King Community School and for Nuestros Valores Charter School. It was noted that the charter school has a foundation. The foundation does not meet state audit requirements to be audited.

Robert F. Kennedy Charter School: It was noted that APS is a related party due to the MOU between APS and the school for lease payments. During the year, the school paid \$166,696 in lease payments to APS. The school also has a payable due to APS at year-end of \$43,051 for HB 33 payments.

South Valley Academy: It was noted that APS is a related party due to the MOU between APS and the school for lease payments. During the year, the school paid \$483,152 in lease payments to APS. The school also has a payable due to APS at year-end of \$55,230 for HB 33 payments

H. Component Units of Charter Schools

The following charter schools maintained component units as follows:

Los Puentes Charter School: Los Puentes Charter School Foundation is a nonprofit corporation established in 2001 to provide support to the school by acquiring and holding real estate to be leased or otherwise made available to the school.

The financial information of the Los Puentes Charter School Foundation is presented in a separate column to emphasize that the corporation is legally separate from the School.

The corporation has a fiscal year end of December 31; however, the component unit column presents financial statements as of and for the year ended June 30, 2013.

Cash and Temporary Investments: At June 30, 2013, the book value of the corporation's deposits was \$65,544.

Component Unit - Foundation

Net position at June 30, 2013	\$ 65,544
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Montessori of the Rio Grande: Friends of the Montessori Foundation is a nonprofit corporation established to provide support to Montessori of the Rio Grande by supporting educational programs and initiatives undertaken by the school. The foundation's other purpose is to conduct educational and training activities, community development, fund-raising assistance and academic research and dissemination to promote educational initiatives that serve the school, as well as the local, regional, national and international educational community.

The financial information of the Friends of the Montessori Foundation is presented in a separate column to emphasize that the corporation is legally separate from the School.

The corporation has a fiscal year end of December 31; however, the component unit column presents financial statements as of and for the year ended June 30, 2013.

Cash and Temporary Investments: At June 30, 2013, the book value of the corporation's deposits was \$14,774.

Component Unit - Foundation

Net position at June 30, 2013	\$ 9,774
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I. Other Required Individual Fund Disclosures

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

- A. Excess of expenditures over appropriations.
- B. Receivables and payables from inter-fund transactions as of June 30, 2013, with funds which inter-fund transactions were affected or created due to cash overdrafts represented (*).
- C. Deficit fund balance of individual funds.

21st Century Public Academy

A. These funds exceeded approved budgetary authority for the year ended June 30, 2013:

General Fund – Direct Instruction	\$ 245,920
Food Services Fund – Food Services	12,588
English Language Fund – Direct Instruction	1,450
Teacher/Principal Training Fund – Direct Instruction	8,000
Capital Outlay Fund – Capital Outlay	<u>170,184</u>
Total	<u>\$ 438,142</u>

B. Receivables and payables from inter-fund transactions as of June 30, 2013 are listed below. Funds which inter-fund transactions were affected or created due to cash overdrafts are represented.

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General	\$ 133,261	\$ -
HB 33 Capital Improvements	<u>-</u>	<u>133,261</u>
Total due to/from other funds	<u>\$ 133,261</u>	<u>\$ 133,261</u>

C. The following funds reported a deficit fund balance at June 30, 2013:

Undesignated, reported in:	
General Fund (deficit) - General	\$ <u>309,334</u>
Total	<u>\$ 309,334</u>

Academia de Lengua y Cultura

A. No funds exceeded approved budgetary authority for the year ended June 30, 2013.

B. Receivables and payables from inter-fund transactions as of June 30, 2013 are listed below. Funds which inter-fund transactions were affected or created due to cash overdrafts are represented.

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General	\$ -	\$ 14,209
Public School Capital Outlay	<u>14,209</u>	<u>-</u>
Total due to/from other funds	<u>\$</u>	<u>\$</u>

C. The following funds reported a deficit fund balance at June 30, 2013:

Undesignated, reported in:	
General Fund (deficit) - General	(\$ <u>2,770</u>)
Total	<u>(\$ 2,770)</u>

Albuquerque Talent Development Secondary Charter School

A. No funds exceeded approved budgetary authority for the year ended June 30, 2013.

B. Receivables and payables from inter-fund transactions as of June 30, 2013 are listed below. Funds which inter-fund transactions were affected or created due to cash overdrafts are represented.

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General	\$ -	\$ 53,224
IDEA-B, Entitlement	708	-
Title I	3,926	-
Public School Capital Outlay	<u>48,590</u>	<u>-</u>
Total due to/from other funds	<u>\$ 53,224</u>	<u>\$ 53,224</u>

C. No funds reporting a deficit fund balance at June 30, 2013.

Alice King Community School

A. The following exceeded approved budgetary authority for the year ended June 30, 2013:

Teacher/Principal Training – Direct Instruction	\$ 775
Operating – Food Services	\$ 1,017

B. Receivables and payables from inter-fund transactions as of June 30, 2013 are listed below. Funds which inter-fund transactions were affected or created due to cash overdrafts are represented.

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General	\$ -	\$ 50,692
Food Services	3,017	-
IDEA-B, Entitlement	4,182	-
Teacher/Principal Training	11,660	-
2010 Library GO Bonds	9,711	-
Public School Capital Outlay	14,667	-
SB9 Capital Improvements	<u>7,455</u>	<u>-</u>
Total due to/from other funds	<u>\$ 50,692</u>	<u>\$ 50,692</u>

C. The following funds reported a deficit fund balance at June 30, 2013:

Undesignated, reported in:	
Food Services (deficit)	<u>\$ (3,017)</u>
Total	<u>\$ (3,017)</u>

Christine Duncan Heritage Academy

A. No funds exceeded approved budgetary authority for the year ended June 30, 2013.

B. Receivables and payables from inter-fund transactions as of June 30, 2013 are listed below. Funds which inter-fund transactions were affected or created due to cash overdrafts are represented.

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General	\$ -	\$ 26,600
Teacher/Principal Training	603	-
EMSI	4,000	-
Breakfast for Elementary	64	-
Kindergarten Three Plus	<u>21,933</u>	<u>-</u>
Total due to/from other funds	<u>\$ 26,600</u>	<u>\$ 26,600</u>

C. No funds reporting a deficit fund balance at June 30, 2013.

Corrales International Charter School

A. No funds exceeded approved budgetary authority for the year ended June 30, 2013.

B. Receivables and payables from inter-fund transactions as of June 30, 2013 are listed below. Funds which inter-fund transactions were affected or created due to cash overdrafts are represented.

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General	\$ -	\$ 406
English Language Acquisition	406	-
Total due to/from other funds	<u>\$ 406</u>	<u>\$ 406</u>

C. No funds reporting a deficit fund balance at June 30, 2013.

Digital Arts and Technology Academy

A. No funds exceeded approved budgetary authority for the year ended June 30, 2013.

B. Receivables and payables from inter-fund transactions as of June 30, 2013 are listed below. Funds which inter-fund transactions were affected or created due to cash overdrafts are represented.

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General	\$ -	\$ 24,504
Beginning Teacher Mentoring	-	18
Special Capital Outlay	<u>24,522</u>	<u>-</u>
Total due to/from other funds	<u>\$ 24,522</u>	<u>\$ 24,522</u>

C. No funds reporting a deficit fund balance at June 30, 2013.

El Camino Real Academy

A. No funds exceeded approved budgetary authority for the year ended June 30, 2013.

B. There were no receivables and payables from inter-fund transactions as of June 30, 2013.

C. No funds reporting a deficit fund balance at June 30, 2013.

Gordon Bernell Charter School

A. No funds exceeded approved budgetary authority for the year ended June 30, 2013.

B. Receivables and payables from inter-fund transactions as of June 30, 2013 are listed below. Funds which inter-fund transactions were affected or created due to cash overdrafts are represented.

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General	\$ -	\$ 55,140
Public School Capital Outlay	43,750	-
SB9 Capital Improvements	<u>11,390</u>	<u>-</u>
Total due to/from other funds	<u>\$ 55,140</u>	<u>\$ 55,140</u>

C. The following funds reported a deficit fund balance at June 30, 2013:

Undesignated, reported in:	
SB9 Capital Improvements	<u>\$ 11,390</u>
Total	<u>\$ 11,390</u>

La Academia de Esperanza

A. One fund exceeded approved budgetary authority for the year ended June 30, 2013:

Title I – Support Services	\$ 2,648
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B. There were no receivables and payables from inter-fund transactions as of June 30, 2013.

C. No funds reporting a deficit fund balance at June 30, 2013.

Los Puentes Charter School

A. No funds exceeded approved budgetary authority for the year ended June 30, 2013.

B. Receivables and payables from inter-fund transactions as of June 30, 2013 are listed below. Funds which inter-fund transactions were affected or created due to cash overdrafts are represented.

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General	\$ -	\$ 153,077
Instructional Materials	3,051	-
Title I IA SA	29,840	-
IDEA-B, Entitlement	36,221	-
English Language Acquisition	2,958	-
Teacher/Principal Training	12,658	-
Title I School Improvement	56,201	-
2010 Library GO Bonds	1,624	-
SB9 Capital Improvements	<u>10,524</u>	<u>-</u>
Total due to/from other funds	<u>\$ 153,077</u>	<u>\$ 153,077</u>

C. No funds reporting a deficit fund balance at June 30, 2013.

Montessori of the Rio Grande

- A. No funds exceeded approved budgetary authority for the year ended June 30, 2013.
- B. There were no receivables and payables from inter-fund transactions as of June 30, 2013.
- C. No funds reporting a deficit fund balance at June 30, 2013.

Mountain Mahogany Community School

A. These funds exceeded approved budgetary authority for the year ended June 30, 2013:

EMSI – Support Services	\$ 4,301
Private Direct Grant Fund – Instruction	\$ 8,374

B. Receivables and payables from inter-fund transactions as of June 30, 2013 are listed below. Funds which inter-fund transactions were affected or created due to cash overdrafts are represented.

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General	\$ -	\$ 16,741
Public School Capital Outlay	<u>16,741</u>	<u>-</u>
Total due to/from other funds	<u>\$ 16,741</u>	<u>\$ 16,741</u>

C. No funds reporting a deficit fund balance at June 30, 2013.

Native American Community Academy

A. These funds exceeded approved budgetary authority for the year ended June 30, 2013:

Operational Fund – Support Services	\$	18,026
Pupil Transportation – Student Transportation		26,282
Safe Route to School – Direct Instruction		1,000
Impact Aid Indian Education – Support Services		6,740
Indian Education Formula Grant – Support Services		30,000
New Mexico Community Foundation – Support Services		28,314
CES – Direct Instruction		2,869
CNM Foundation – Direct Instruction		103
Value Options/DOH – Support Services		1,084
HB33 Capital Improvements – Capital Outlay		<u>23,775</u>
Total	\$	<u>138,193</u>

B. Receivables and payables from inter-fund transactions as of June 30, 2013 are listed below. Funds which inter-fund transactions were affected or created due to cash overdrafts are represented.

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General	\$	\$ 43,454
Title I	50,383	-
IDEA-B Entitlement	4,202	-
Kellogg Foundation	16,092	-
New Mexico Community Foundation	11,335	-
Intervention for D & F Schools	24,264	-
SB9 Capital Improvements	3,971	-
HB33 Capital Improvements	<u>-</u>	<u>66,793</u>
Total due to/from other funds	<u>\$ 110,247</u>	<u>\$ 110,247</u>

C. No funds reporting a deficit fund balance at June 30, 2013.

Nuestros Valores Charter School

A. One fund exceeded approved budgetary authority for the year ended June 30, 2013:

Operational Fund – Food Services	\$	23,000
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B. Receivables and payables from inter-fund transactions as of June 30, 2013 are listed below. Funds which inter-fund transactions were affected or created due to cash overdrafts are represented.

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General	\$ -	\$ 82,642
Food Services	2,001	-
IDEA-B, Entitlement	8,271	-
English Language Acquisition	870	-
Teacher/Principal Training	6,996	-
Title I, School Improvement	<u>64,504</u>	<u>-</u>
Total due to/from other funds	<u>\$ 82,642</u>	<u>\$ 82,642</u>

C. The following funds reported a deficit fund balance at June 30, 2013:

Undesignated, reported in:	
Food Services (deficit)	\$ <u>2,001</u>
Total	\$ <u>2,001</u>

Public Academy for Performing Arts

A. These funds exceeded approved budgetary authority for the year ended June 30, 2013:

Operational Fund – Food Services	\$ 17,236
Teacher/Principal Training – Support Services	<u>700</u>
Total	<u>\$ 17,936</u>

B. Receivables and payables from inter-fund transactions as of June 30, 2013 are listed below. Funds which inter-fund transactions were affected or created due to cash overdrafts are represented.

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General	\$ -	\$ 65,935
IDEA-B, Entitlement	35,221	-
Teacher/Principal Training	22,197	-
Library GO Bonds	593	-
SB9 Capital Improvements	<u>7,924</u>	<u>-</u>
Total due to/from other funds	<u>\$ 65,935</u>	<u>\$ 65,935</u>

C. No funds reporting a deficit fund balance at June 30, 2013.

Robert F. Kennedy Charter School

A. These funds exceeded approved budgetary authority for the year ended June 30, 2013:

Operational Fund – Direct Instruction	\$ 32,611
Operational Fund – Operation of Non-Instructional Services	4,856
Operational Fund – Capital Outlay	<u>22,128</u>
Total	<u>\$ 59,595</u>

- B. Receivables and payables from inter-fund transactions as of June 30, 2013 are listed below. Funds which inter-fund transactions were affected or created due to cash overdrafts are represented.

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General	\$ -	\$ 10,470
Youth Conservation Corps	<u>10,470</u>	<u>-</u>
Total due to/from other funds	<u>\$ 10,470</u>	<u>\$ 10,470</u>

- C. No funds reporting a deficit fund balance at June 30, 2013.

School for Integrated Academics and Technology

- A. No funds exceeded approved budgetary authority for the year ended June 30, 2013.
- B. Receivables and payables from inter-fund transactions as of June 30, 2013 are listed below. Funds which inter-fund transactions were affected or created due to cash overdrafts are represented.

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General	\$ -	\$ 2,263
Library GO Bonds	<u>2,263</u>	<u>-</u>
Total due to/from other funds	<u>\$ 2,263</u>	<u>\$ 2,263</u>

- C. No funds reporting a deficit fund balance at June 30, 2013.

South Valley Academy

- A. No funds exceeded approved budgetary authority for the year ended June 30, 2013.
- B. Receivables and payables from inter-fund transactions as of June 30, 2013 are listed below. Funds which inter-fund transactions were affected or created due to cash overdrafts are represented.

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General	\$ -	\$ 104,618
Title I, IASA	63,188	-
English Language Acquisition	923	-
Teacher/Principal Training	15,328	-
Youth Conservation Corps	18,913	-
SB9 Capital Improvements	<u>6,266</u>	<u>-</u>
Total due to/from other funds	<u>\$ 104,618</u>	<u>\$ 104,618</u>

- C. No funds reporting a deficit fund balance at June 30, 2013.

The Bataan Military Academy

- A. No funds exceeded approved budgetary authority for the year ended June 30, 2013.
- B. There were no receivables and payables from inter-fund transactions as of June 30, 2013.
- C. No funds reporting a deficit fund balance at June 30, 2013.

J. Litigation

21st Century Public Academy: The school has pending litigation arising from a student that may have not received proper IDEA-B education. Management has estimated the loss associated with this litigation at \$176,416, which has been accrued as a contingency liability.

The Bataan Military Academy: The school has accrued a liability for \$45,000 for pending litigation arising from the previous director as of June 30, 2013.

K. Schedule of Other Governmental Agreements

School Name	Name/ Responsible Party	Program Description	Begin Date	End Date
Montessori of the Rio Grande	Albuquerque Public Schools	Facilities/HB 33	11/01/2009	Cancelable upon termination
Native American Community Academy	Albuquerque Public Schools	Facilities	07/31/2010	06/30/2013
Nuestros Valores Charter School	Albuquerque Public Schools	Facilities	10/16/2012	06/30/2013
Public Academy of Performing Arts	Albuquerque Public Schools	Facilities/HB 33 funds	3/31/2010	Cancelable upon termination
Robert F. Kennedy Charter School	Albuquerque Public Schools	Use of portable buildings	07/01/2010	Cancelable upon termination
School for Integrated Academics and Technology	Albuquerque Job Corps Center	Use of facilities	11/05/2009	Cancelable upon termination
South Valley Academy	Albuquerque Public Schools	Facilities/HB 33 funds	06/07/2011	Cancelable upon termination

L. Fund Balance Reporting

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which was effective for financial statements for periods beginning after June 15, 2011. Accordingly, 21st Century Public Academy; Academia de Lengua y Cultura; Albuquerque Talent Development Secondary Charter School; Alice King Community School; Christine Duncan Heritage Academy; Corrales International Charter School; Digital Arts & Technology Academy; El Camino Real Academy; Gordon Bernell Charter School; La Academia de Esperanza; Los Puentes Charter School; Montessori of the Rio Grande; Mountain Mahogany Community School; Native American Community Academy; Nuestros Valores Charter School; Public Academy for Performing Arts; Robert F. Kennedy Charter School; School for Integrated Academics and Technology; South Valley Academy; and The Bataan Military Academy adopted this statement effective with the 2010-2011 fiscal year. Statement 54 is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types.

Fund balance – the difference between assets and liabilities in the governmental fund financial statements – is among the most widely and frequently used information in state and local governmental financial reports. The GASB developed Statement 54 to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standards establish a hierarchy of fund balance classifications based primarily on the extent to which a government is bound to observe spending constraints imposed upon how resources reported in governmental funds may be used.

Statement 54 distinguishes fund balances based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts are reported in the following classifications:

- *Nonspendable* – portion of net resources that cannot be spent because of their form or because they must remain intact, such as fund balances associated with inventories or are legally or contractually required to remain intact.
- *Restricted* – amounts constrained by external parties, constitutional provision, or enabling legislation.
- *Committed* – amounts constrained by a government using its highest level of decision-making authority. The Board of Education is the highest level of decision making authority. Formal Board action, through a resolution, creates a commitment.
- *Assigned* – amounts a government intends to use for a particular purpose. The governing council has designated the responsibility to assign fund balance to its Business and Finance Director.
- *Unassigned* – amounts that are not constrained at all will be reported in the general fund.

The new standards also clarify the definitions of individual governmental fund types. It interprets certain terms within the definition of special revenue fund types, while further clarifying the debt service and capital projects fund type definitions. The final standard also specifies how economic stabilization or “rainy-day” amounts should be reported.

NOTE 20. Component Unit – Albuquerque Public Schools Foundation

NATURE OF BUSINESS - The Albuquerque Public Schools Foundation (the Foundation), a component unit of the Albuquerque Public Schools (APS), is a nonprofit organization incorporated under laws of the State of New Mexico on April 25, 1995. The Foundation was established to solicit, receive and manage private voluntary support for the benefit and on behalf of APS. The Foundation itself has no component units. The Foundation is governed by a Board of Directors, which has the responsibility for determining policy and for the execution and evaluation of programs and activities conducted by the Foundation. The Board consists of no less than three members and no more than 25 members. Board members represent government, business, public sector, private individuals and organizations that are interested in supporting programs and services of APS. The term served by Board members is three years. The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (the Code) and is not considered a private foundation within the meaning of Section 509(a) of the Code. A Memorandum of Agreement between the Foundation and APS was signed and executed on January 5, 2005.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of the Foundation have been prepared as a governmental not-for-profit organization on the accrual basis of accounting, in accordance with the accounting disclosure and reporting requirements under Governmental Accounting Standards Board (GASB) pronouncements, as the Foundation meets the criteria of a governmental entity for accounting purposes.

Basis of Presentation - The Foundation’s financial statements are reported as a proprietary fund, using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenues are recognized when they are earned and expenses are recognized as soon as the liability is incurred. Operating revenues and expenses are those incurred by the Foundation and events and activities that relate directly to the

Foundation's staff and programs. Revenues from investments and revenues from restricted Trusts are considered non-operating.

Net Position

Unrestricted net position represents resources whose use is not limited or restricted by donors. Unrestricted net position has arisen from exchange transactions, receipt of unrestricted contributions and expirations of existing restrictions. Restricted expendable contributions are recorded as unrestricted to the extent the restrictions expire in the same reporting period. As an expense is incurred, the Foundation will first apply unrestricted resources.

Restricted unexpendable net position is subject to donor-imposed restrictions that they be maintained permanently by the Foundation. This class of net position consists of Bennett Endowment fund investments to be held indefinitely, the income from which is expendable to support APS student vision care costs.

Restricted expendable net position represents resources whose use is limited by donors for the support of student programs. Such restrictions are legally enforceable. Restricted expendable net position is released from restrictions as their purpose restrictions are met.

Cash and Cash Equivalents - The Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents consist of cash on deposit with financial institutions and money market accounts.

Investments - Investments are reported at fair value. Unrestricted investments held by the Foundation have been classified as current based on the nature of the underlying investment securities. Other restricted investments have been classified as non-current. The estimated fair value of investments is based on quoted market prices.

Revenue Recognition - The Foundation is accounted for as a governmental not-for-profit organization, and its follows revenue recognition rules as defined below:

Donations – The Foundation recognizes revenue on donations when all applicable eligibility requirements are met.

Pledges – Unconditional pledges, if any, are recognized as revenues in the period received and as assets, decreases in liabilities or expenses, depending on the form of the benefits to be received. Conditional pledges are recognized as revenues when the conditions on which they depend are substantially met. An allowance for doubtful pledges is recorded when the pledge is recorded. The allowance is based on past pledge loss experience and other factors that management considers necessary in estimating pledge losses.

Contributions of Services In-Kind Revenues – Contributions of services are recognized in the financial statements of the Foundation only if the services received: (a) create or enhance non-financial assets of the Foundation, and (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Use of office furniture and equipment is provided at no charge by APS. The Foundation recognizes the value of such use as an in-kind donation received and as non-capitalized equipment expense.

Beneficial Interest in Remainder Trusts – A charitable remainder trust is an arrangement in which a donor establishes and funds a trust with specified distributions to be made to a designated beneficiary or beneficiaries over the trust's term. Upon termination of the trust, the Foundation receives a percentage of the assets remaining in the trust. Beneficial interest in remainder trusts represent the present value of estimated future cash receipts from the trust's assets. Contribution revenue is recognized in the period in which the trust is established. In subsequent years, income earned on trust assets, recognized gains and losses, and distributions paid will be recognized. Revaluation of the present value of the estimated future payments and changes in actuarial assumptions will be recognized in the Statement of Revenues, Expenses and Change in Net Position.

CASH AND CASH EQUIVALENTS - Cash and cash equivalents as of June 30, 2013 are classified in the accompanying financial statements as follows:

	<u>Carrying Value</u>
Cash and cash equivalents, unrestricted	\$ 1,298,262
Cash and cash equivalents – Agency, restricted	<u>969,350</u>
Total cash and cash equivalents	<u>\$ 2,268,612</u>

A detail of the cash accounts at June 30, 2013 is included below:

<u>Name of Depository</u>	<u>Account Name</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
Wells Fargo	Operating	Deposit	\$ 1,243,413	\$ 5,937	\$ 1,249,350
Merrill Lynch	Investments	Money Market	78,300	-	78,300
Wells Fargo	Disbursements	Deposit	991,233	(50,563)	940,670
PayPal	Cash	Deposit	<u>292</u>	<u>-</u>	<u>292</u>
			<u>\$ 2,313,238</u>	<u>\$ (44,626)</u>	<u>\$ 2,268,612</u>

Deposits - Cash deposits are subject to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, the Foundation's deposits in financial institutions may not be returned to it. The Foundation's bank balance of deposits held in financial institutions at June 30, 2013 was \$2,312,941 and was insured by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000 per depositor per institution. The Foundation does not require collateral on its cash deposits. Money market funds are not subject to custodial credit risk.

INVESTMENTS

Investment Policy Statement (IPS): In December 2002, the Foundation Board of Directors adopted an IPS to assist in the supervising, monitoring and evaluating of the Foundation investments. The IPS is to provide financial stability for the Foundation operations and an increasing stream of income for future program growth. In February 2013 the Foundation transferred all investment assets held with Bank of Albuquerque to Merrill Lynch.

The Foundation shall be responsible for:

- Overseeing the Foundation Investment Portfolio.
- Defining the investment objectives and policies of the portfolio.
- Directing the Investment Manager to make changes in investment policy and to oversee and to approve or disapprove Investment Manager recommendations with regard to policy, guidelines, objectives and specific investments.
- Foundation shall provide the Investment Manager with all relevant information on its financial conditions and risk tolerances and shall notify the Investment Manager promptly of any changes to this information.

The Foundation agrees that investment discretion can be delegated to qualified, professional investment specialists or private portfolio managers (Investment Managers) that would be identified by the Foundation's Finance Committee resulting from an extensive quantitative and qualitative process of diligence. Guidelines for the Investment Manager are that the investment of the Foundation's investment portfolio shall be limited to individual marketable securities or packaged products (e.g., mutual funds) in the following categories:

- Cash and cash equivalents
- Fixed Income – Domestic bonds
- Fixed Income – Non-U.S. bonds
- Fixed Income – High Yield
- Equities – U.S. and Non-U.S. within an international portfolio

Credit Risk - Debt Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In order to assess credit risk, the Foundation is required to disclose credit ratings of its debt investments. U.S. government obligations and obligations guaranteed by the U.S. government are not considered to have credit risk and, accordingly, do not require disclosure.

The Foundation's investments and their exposure to credit quality risk at June 30, 2013 are as follows:

	<u>S&P / Moody's Rating</u>	<u>Fair Market Value</u>
Governmental Bonds		
	*** / AAA	\$ 319,626
	AAA< / AAA	44,059
	AA+ / AAA	<u>143,387</u>
Total Governmental Bonds		<u>507,072</u>
Corporate Bonds		
	AA+ / AA1	39,881
	AA< / AA1	39,949
	AA+ / A1	20,884
	AA / AA1	41,039
	A+ / A1	71,723
	A+ / A2	20,482
	A / A2	39,076
	A< / A3	18,672
	A- / A3	157,522
	A- / BAA2	<u>20,837</u>
Total Corporate Bonds		<u>470,065</u>
Total Subject to Credit Quality Risk		<u>\$ 977,137</u>
Bonds Subject to Credit Quality Risk		\$ 977,137
Equities – Not Subject to Credit Quality Risk		<u>999,389</u>
Total Investments as of June 30, 2013		<u>\$1,976,526</u>

Interest Rate Risk - Debt Investments

Interest rate risk is the risk that changes in interest rates could adversely affect the fair value of an investment. The Foundation does not have a policy for interest rate risk management, but its practice is to address interest risk through the management of debt investment duration.

A summary of the investments at June 30, 2013 and their exposure to interest rate risk is as follows:

	Less than 1 Year	1-5 Years	5-10 Years	More than 10 Years
Corporate Bonds	\$ -	\$ 270,636	\$ 199,429	\$ -
Governmental Bonds	<u>51,910</u>	<u>211,256</u>	<u>138,055</u>	<u>105,851</u>
Total	<u>\$ 51,910</u>	<u>\$ 481,892</u>	<u>\$ 337,484</u>	<u>\$ 105,851</u>
Total investments subject to interest rate risk				<u>\$ 977,137</u>

Concentration of Credit Risk – Investments

Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments in any one issuer that represent 5% or more of total investments are considered to be exposed to concentrated credit risk and are required to be disclosed. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement. As of June 30, 2013, the Foundation was not exposed to concentration of credit risk as no single issuer represented 5% of total investments.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. All holdings at June 30, 2013 were denominated in United States Dollars.

BENEFICIAL INTERESTS IN REMAINDER TRUSTS - On May 11, 2001, the Foundation was awarded an interest in the William H. and Lilian Dolde Charitable Trust for the purpose of funding fine arts programs in the Albuquerque Public Schools. The Bank of America administers the Trust. The Trust was originally funded in the amount of \$2,000,000. The Trust document calls for the annual distribution of an amount equal to 5% of the Trust's net position. This annual distribution will expire on December 31, 2051. Upon termination of the Trust, the Foundation is entitled to a portion of the remaining assets in order to establish a permanent endowment for the fine arts. The Foundation is irrevocably entitled to 90% of all annual distributions and 90% of the remaining Trust net position upon termination. The Foundation's interest in the Trust's assets is recorded at fair market value with adjustments made annually for increases or decreases in value. The present value of the Trust agreement was initially calculated using a discount rate of 5% with annual distributions to be received of \$90,000 (90% of \$100,000) for 49.5 years. The present value of the Trust net position at termination was initially estimated using a value of \$1,800,000 in remaining net position (90% of \$2,000,000) with a discount rate of 5% for 50 years. During the fiscal year ended June 30, 2013, the Trust distributed \$117,185 to the Foundation, while \$117,185 was disbursed. The present value of the Trust increased by \$13,171 and the fair value of the Trust's assets increased by \$47,869 for the fiscal year ended June 30, 2013. This resulted in the recording of a beneficial interest in the Trust in the amount of \$1,932,866 for the year ended June 30, 2013. The 2013 changes in present and fair values are reflected in the Foundation's Statement of Revenues, Expenses and Change in Net Position.

In April of 2003, the Foundation was awarded an interest in the Guhl Charitable Trust for the purpose of funding programs in the Albuquerque Public Schools. The Bank of America administers the Trust. The Trust document calls for the distribution of an amount equal to 20% of the Trust's remaining assets to the Foundation upon termination on April 13, 2013. The Foundation's interest in the Trust's assets is recorded at fair market value with adjustments made annually for increases or decreases in value. The present value of the Trust agreement

was calculated using a discount rate of 5%. No present value of the Trust net position at termination was estimated as the termination date was within a year. The Trust assets (20% of \$2,013,932 [market value of trust as of June 30, 2013]) with a discount rate of 5%, resulted in the recording of a beneficial interest in the Guhl Trust in the amount of \$402,786 for the fiscal year ended June 30, 2013. The increase in beneficial interest of \$8,755 is reflected in the Foundation's Statement of Revenues, Expenses and Change in Net Position.

RELATED PARTIES - District programs are the primary beneficiaries of funds donated to the Foundation. Certain District employees whose services were contributed to the Foundation also served as Foundation Board members in an ex-officio capacity. Certain voting Board members were affiliated with the District or with other entities served through the Foundation.

During the year ended June 30, 2013, the Foundation received in-kind contributions from the District with a market value of \$448,091. The contributions included employee services and donated supplies and materials.

The Foundation has no employees of its own. During the year ended June 30, 2013, all Foundation staff members were employees of the District; however, the Foundation reimbursed the District for 18% of the Executive Director's compensation package and all Foundation employee benefits at a rate of 26%.

SUBSEQUENT EVENTS – Management evaluated subsequent events through November 8, 2013, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2013, but prior to November 8, 2013, that provided additional evidence about conditions that existed at June 30, 2013, have been recognized in the financial statements for the year ended June 30, 2013. Events or transactions that provided evidence about conditions that did not exist at June 30, 2013, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2013.

NONMAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue	Capital Projects	Ed Tech Debt Service	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 1,637,923	\$ -	\$ -	\$ 1,637,923
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	-	-
Interfund receivables	798,270	-	-	798,270
Other	-	-	-	-
Prepaid expenses & other assets	-	-	-	-
Inventory	-	-	-	-
Restricted cash and cash equivalents	6,143,892	19,934,252	12,743,175	38,821,319
Restricted accounts receivable	13,174,287	706,909	978,078	14,859,274
Total assets	<u>\$ 21,754,372</u>	<u>\$ 20,641,161</u>	<u>\$ 13,721,253</u>	<u>\$ 56,116,786</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-
Accrued compensated absences	-	-	-	-
Interfund payables	11,312,338	514,936	-	11,827,274
Due to other governments	-	-	-	-
Unearned revenue - property taxes	-	-	905,817	905,817
Unearned revenue - other	35,725	-	-	35,725
Liabilities payable from restricted assets	558,900	830,540	-	1,389,440
Total liabilities	<u>11,906,963</u>	<u>1,345,476</u>	<u>905,817</u>	<u>14,158,256</u>
FUND BALANCES				
Restricted for				
Restricted by Grantor	8,208,556	-	-	8,208,556
Capital Projects	-	19,295,685	-	19,295,685
Debt Service	-	-	12,815,436	12,815,436
Athletic Program	1,638,853	-	-	1,638,853
Total fund balances	<u>9,847,409</u>	<u>19,295,685</u>	<u>12,815,436</u>	<u>41,958,530</u>
Total liabilities and fund balances	<u>\$ 21,754,372</u>	<u>\$ 20,641,161</u>	<u>\$ 13,721,253</u>	<u>\$ 56,116,786</u>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013**

	Special Revenue	Capital Projects	Ed Tech Debt Service	Total
REVENUES				
Property taxes	\$ -	\$ -	\$ 12,713,107	\$ 12,713,107
State grants	8,166,016	4,516,462	-	12,682,478
Federal grants	28,695,026	-	-	28,695,026
Miscellaneous	3,411,857	1,961,876	-	5,373,733
Interest	3,208	42,327	9,133	54,668
Total revenues	<u>40,276,107</u>	<u>6,520,665</u>	<u>12,722,240</u>	<u>59,519,012</u>
EXPENDITURES				
Instruction	25,151,330	-	-	25,151,330
Support Services				
Students	9,725,723	-	-	9,725,723
Instruction	1,138,854	-	-	1,138,854
General Administration	560,401	-	129,539	689,940
School Administration	1,657,686	-	-	1,657,686
Central Services	1,328,411	-	-	1,328,411
Operation & Maintenance of Plant	21,384	-	-	21,384
Student Transportation	130,892	-	-	130,892
Other Support Services	-	-	-	-
Food Services Operations	459,543	-	-	459,543
Community Service	-	-	-	-
Facilities, Supplies & Services	-	9,895,478	-	9,895,478
Debt service				
Principal	-	-	4,290,000	4,290,000
Interest	-	-	780,107	780,107
Bond Issuance Costs	-	-	-	-
Capital outlay	283	3,389,228	-	3,389,511
Total expenditures	<u>40,174,507</u>	<u>13,284,706</u>	<u>5,199,646</u>	<u>58,658,859</u>
Excess (deficiency) of revenues over (under) expenditures	<u>101,600</u>	<u>(6,764,041)</u>	<u>7,522,594</u>	<u>860,153</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers	(55)	485,180	-	485,125
Reimbursements to Grantors	-	(210)	-	(210)
Bond issuance premiums	-	-	220,812	220,812
Proceeds from bond issues	-	13,000,000	-	13,000,000
Total other financing sources (uses)	<u>(55)</u>	<u>13,484,970</u>	<u>220,812</u>	<u>13,705,727</u>
Net changes in fund balances	101,545	6,720,929	7,743,406	14,565,880
Fund balances - beginning of year	9,745,864	12,574,756	5,072,030	27,392,650
Fund balances - end of year	<u>\$ 9,847,409</u>	<u>\$ 19,295,685</u>	<u>\$ 12,815,436</u>	<u>\$ 41,958,530</u>