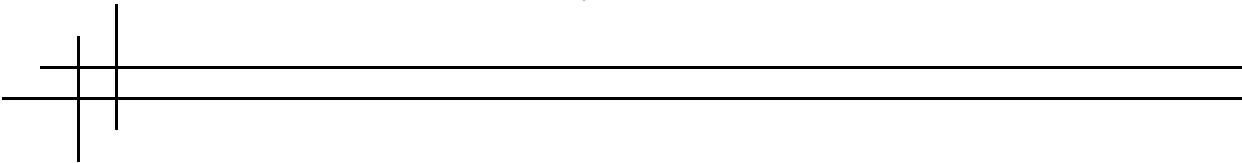


State of New Mexico
Artesia Public Schools

Annual Financial Report
June 30, 2018

De'Aun Willoughby CPA, PC
Certified Public Accountant
Clovis, New Mexico



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State of New Mexico
Artesia Public Schools
Official Roster
June 30, 2018

Board of Education

Lowell Irby	President
Jeff Bowman	Vice-President
Cherie Winmayer	Secretary
David Conklin	Member
Luis Florez	Member

School Officials

Dr. Crit Caton	Superintendent
Janet Grice	Business Manager
Thad Phipps	Chief Procurement Officer

Independent Auditor's Report

Mr. Wayne Johnson
State Auditor of the State of New Mexico
Board Members of Artesia Public Schools

Mr. Johnson and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general and major special revenue funds of Artesia Public Schools (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparisons for the general and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of Required Supplementary Information for Pension Plan and related notes 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 consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during my 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.

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget *Title 2 U.S. CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other schedules presented as other supplemental information as listed in the table of contents 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 presented as other supplemental information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2018 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.

De'Aun Willoughby, CPA, PC

Clovis, New Mexico
October 24, 2018

Financial Section

State of New Mexico
Artesia Public Schools
Government-Wide Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 25,105,845
Taxes Receivable	804,882
Due from Grantor	812,421
Inventory	11,626
Total Current Assets	<u>26,734,774</u>
Noncurrent Assets	
Capital Assets	134,515,503
Less Accumulated Depreciation	<u>(63,833,082)</u>
Total Noncurrent Assets	<u>70,682,421</u>
Total Assets	<u>97,417,195</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Actuarial Experience	146,916
Changes of Assumptions	23,891,555
Changes in Proportion	1,108,660
Contributions Subsequent to Measurement Date	2,932,046
Deferred Outflows Related to Other Post Employment Benefits	
Contributions Subsequent to Measurement Date	422,015
Total Deferred Outflows of Resources	<u>28,501,192</u>
Liabilities	
Current Liabilities	
Accounts Payable	221,537
Compensated Absences	127,774
Total Current Liabilities	<u>349,311</u>
Noncurrent Liabilities	
Pension Liability	81,842,914
Other Post Employment Benefits Liability	22,138,582
Total Noncurrent Liabilities	<u>103,981,496</u>
Total Liabilities	<u>104,330,807</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	
Actuarial Experience	1,260,867
Investment Experience	11,227
Deferred Inflows Related to Other Post Employment Benefits	
Actuarial Experience	849,561
Investment Experience	318,479
Changes of Assumptions	3,870,649
Total Deferred Inflows of Resources	<u>6,310,783</u>
Net Position	
Invested in Net Capital Assets	70,682,421
Restricted for	
Capital Projects	22,491,761
Unrestricted	<u>(77,897,385)</u>
Total Net Position	<u>\$ 15,276,797</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
Government-Wide Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 34,852,215	280,154	\$ 1,697,564	\$ 17,600	\$ (32,856,897)
Support Services					
Students	3,664,453	363,599	136,000	0	(3,164,854)
Instruction	925,248	0	43,310	0	(881,938)
General Administration	735,516	0	36,805	0	(698,711)
School Administration	3,929,248	0	425,018	0	(3,504,230)
Central Services	1,137,379	0	3,990	0	(1,133,389)
Operation of Plant	6,366,373	142,331	0	0	(6,224,042)
Student Transportation	1,308,200	0	1,307,825	0	(375)
Food Services Operations	1,928,353	354,772	1,312,562	16,530	(244,489)
Total Governmental Activities	\$ 54,846,985	\$ 1,140,856	\$ 4,963,074	\$ 34,130	(48,708,925)
General Revenues					
Taxes					
Property Taxes, Levied for General Purposes					
					764,904
Property Taxes, Levied for Capital Projects					
					10,998,808
Federal and State aid not restricted to specific purpose					
General					
					27,509,766
Capital					
					0
Interest and investment earnings					
					11,099
Miscellaneous					
					1,216,883
Subtotal, General Revenues					
					<u>40,501,460</u>
Change in Net Position					
					<u>(8,207,465)</u>
Net Position - Beginning					
					50,193,057
Restatement					
					<u>(26,708,867)</u>
Restated Beginning Net Position					
					<u>23,484,190</u>
Net Position - Ending					
					<u>\$ 15,276,725</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
 Governmental Funds
 Balance Sheet
 June 30, 2018

	General			
	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Materials 14000
Assets				
Cash and Cash Equivalents	\$ 2,238,390	\$ 299,581	\$ 13	\$ 12,309
Receivables				
Taxes	52,181	0	0	0
Due From Grantor	0	0	0	0
Interfund Balance	808,324	0	0	0
Inventory	0	0	0	0
Total Assets	\$ 3,098,895	\$ 299,581	\$ 13	\$ 12,309
Liabilities				
Accounts Payable	\$ 43,803	\$ 338	\$ 0	\$ 416
Interfund Balance	0	0	0	0
Total Liabilities	43,803	338	0	416
Deferred Inflows of Resources				
Unavailable Revenue	11,693	0	0	0
Total Deferred Inflows of Resources	11,693	0	0	0
Fund Balances				
Nonspendable-Inventory	0	0	0	0
Restricted for				
Special Revenue Funds	0	0	0	0
Capital Improvements	0	0	0	0
Unassigned	3,043,399	299,243	13	11,893
Total Fund Balances	3,043,399	299,243	13	11,893
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 3,098,895	\$ 299,581	\$ 13	\$ 12,309

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
 Governmental Funds
 Balance Sheet
 June 30, 2018

	Special Revenue		
	Title I 24101	Entitlement IDEA-B 24106	Kindergarten Plus 3 27166
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	153,257	352,093	132,786
Interfund Balance	0	0	0
Inventory	0	0	0
Total Assets	<u>\$ 153,257</u>	<u>\$ 352,093</u>	<u>\$ 132,786</u>
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 144
Interfund Balance	153,257	352,093	132,642
Total Liabilities	<u>153,257</u>	<u>352,093</u>	<u>132,786</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue Funds	0	0	0
Capital Improvements	0	0	0
Unassigned	0	0	0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 153,257</u>	<u>\$ 352,093</u>	<u>\$ 132,786</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
 Governmental Funds
 Balance Sheet
 June 30, 2018

	<u>Capital Projects</u>		
	<u>HB 33 31600</u>	<u>Senate Bill Nine-Local 31701</u>	<u>Other Governmental Funds</u>
Assets			
Cash and Cash Equivalents	\$ 15,570,771	\$ 6,524,414	\$ 460,367
Receivables			
Taxes	537,601	212,827	2,273
Due From Grantor	0	0	174,285
Interfund Balance	0	0	0
Inventory	0	0	11,626
Total Assets	<u>\$ 16,108,372</u>	<u>\$ 6,737,241</u>	<u>\$ 648,551</u>
Liabilities			
Accounts Payable	\$ 138,372	\$ 38,135	\$ 329
Interfund Balance	<u>0</u>	<u>0</u>	<u>170,332</u>
Total Liabilities	<u>138,372</u>	<u>38,135</u>	<u>170,661</u>
Deferred Inflows of Resources			
Unavailable Revenue	<u>127,666</u>	<u>49,679</u>	<u>2,273</u>
Total Deferred Inflows of Resources	<u>127,666</u>	<u>49,679</u>	<u>2,273</u>
Fund Balances			
Nonspendable-Inventory	0	0	11,626
Restricted for			
Special Revenue Funds	0	0	457,380
Capital Improvements	15,842,334	6,649,427	0
Unassigned	<u>0</u>	<u>0</u>	<u>6,611</u>
Total Fund Balances	<u>15,842,334</u>	<u>6,649,427</u>	<u>475,617</u>
 Total Liabilities, Deferred Inflow of Resources and Fund Balances	 <u>\$ 16,108,372</u>	 <u>\$ 6,737,241</u>	 <u>\$ 648,551</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
 Governmental Funds
 Balance Sheet
 June 30, 2018

	Total Governmental Funds
Assets	
Cash and Cash Equivalents	\$ 25,105,845
Receivables	
Taxes	804,882
Due From Grantor	812,421
Interfund Balance	808,324
Inventory	11,626
Total Assets	<u>\$ 27,543,098</u>
Liabilities	
Accounts Payable	\$ 221,537
Interfund Balance	808,324
Total Liabilities	<u>1,029,861</u>
Deferred Inflows of Resources	
Unavailable Revenue	191,311
Total Deferred Inflows of Resources	<u>191,311</u>
Fund Balances	
Nonspendable-Inventory	11,626
Restricted for	
Special Revenue Funds	457,380
Capital Improvements	22,491,761
Unassigned	3,361,159
Total Fund Balances	<u>26,321,926</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 27,543,098</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 June 30, 2018

Total Fund Balance - Governmental Funds \$ 26,321,926

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

Property taxes receivable will be collected after the period of availability, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 191,311

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital Assets	\$ 134,515,503	
Accumulated Depreciation	<u>(63,833,082)</u>	70,682,421

Deferred Outflows and Inflows Related to Pensions and Other Post-Employment Benefits (OPEB) are the results of differences in expected and actual actuary experience and the difference in actuary projected and actual earnings. Also changes in proportion and differences between contributions and proportionate share of contributions.

Deferred Outflows Related to Pensions	28,079,177	
Deferred Outflows Related to OPEB	422,015	
Deferred Inflows Related to Pensions	(1,272,094)	
Deferred Inflows Related to OPEB	<u>(5,038,689)</u>	22,190,409

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

Compensated Absences	(127,774)	
Pension Liability	(81,842,914)	
Other Post Employment Benefits Liability	<u>(22,138,582)</u>	<u>(104,109,270)</u>

Total Net Position - Governmental Activities \$ 15,276,797

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
 Governmental Funds
 Statement of Revenues, Expenditures and Changes
 in Fund Balance
 For the Year Ended June 30, 2018

	General			
	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Materials 14000
Revenues				
Property Taxes	\$ 758,191	\$ 0	\$ 0	\$ 0
Fees	73,497	142,331	0	0
State & Local Grants	27,497,603	0	1,289,956	119,953
Federal Grants	12,163	0	0	0
Interest Income	7,536	0	0	0
Miscellaneous	362,764	0	13	0
Total Revenues	<u>28,711,754</u>	<u>142,331</u>	<u>1,289,969</u>	<u>119,953</u>
Expenditures				
Current				
Instruction	18,545,566	0	0	153,591
Support Services				
Students	2,344,414	0	0	0
Instruction	653,980	0	0	0
General Administration	510,314	0	0	0
School Administration	2,374,771	0	0	0
Central Services	800,987	0	0	0
Operation of Plant	3,316,250	124,141	0	0
Student Transportation	0	0	1,289,956	0
Food Service Operations	0	0	0	0
Capital Outlay	0	0	0	0
Total Expenditures	<u>28,546,282</u>	<u>124,141</u>	<u>1,289,956</u>	<u>153,591</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>165,472</u>	<u>18,190</u>	<u>13</u>	<u>(33,638)</u>
Fund Balances at Beginning of Year	2,905,150	281,053	0	45,531
Restatement	(27,223)	0	0	0
Restated Beginning Fund Balance	<u>2,877,927</u>	<u>281,053</u>	<u>0</u>	<u>45,531</u>
Fund Balance End of Year	<u>\$ 3,043,399</u>	<u>\$ 299,243</u>	<u>\$ 13</u>	<u>\$ 11,893</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2018

	Special Revenue		
	Title I 24101	Entitlement IDEA-B 24106	Kindergarten Plus 3 27166
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	0	0	371,008
Federal Grants	542,321	782,930	0
Interest Income	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>542,321</u>	<u>782,930</u>	<u>371,008</u>
Expenditures			
Current			
Instruction	367,914	484,649	254,669
Support Services			
Students	0	135,701	0
Instruction	0	0	0
General Administration	12,193	17,603	0
School Administration	162,214	144,977	78,611
Central Services	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	16,686
Food Service Operations	0	0	21,042
Capital Outlay	0	0	0
Total Expenditures	<u>542,321</u>	<u>782,930</u>	<u>371,008</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at Beginning of Year	0	0	0
Restatement	0	0	0
Restated Beginning Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2018

	<u>Capital Projects</u>		
	<u>HB 33 31600</u>	<u>Senate Bill Nine-Local 31701</u>	<u>Other Governmental Funds</u>
Revenues			
Property Taxes	\$ 7,860,742	\$ 3,097,588	\$ 2,231
Fees	0	0	925,028
State & Local Grants	0	0	270,444
Federal Grants	0	0	1,620,664
Interest Income	0	0	3,563
Miscellaneous	811,798	26,761	15,547
Total Revenues	<u>8,672,540</u>	<u>3,124,349</u>	<u>2,837,477</u>
Expenditures			
Current			
Instruction	1,044,775	631,291	723,892
Support Services			
Students	0	27,621	266,361
Instruction	0	5,033	43,310
General Administration	41,111	23,314	13,588
School Administration	0	0	58,824
Central Services	0	0	3,990
Operation of Plant	166,585	1,986,992	0
Student Transportation	0	0	1,183
Food Service Operations	0	4,774	1,680,757
Capital Outlay	7,867,277	272,116	41,530
Total Expenditures	<u>9,119,748</u>	<u>2,951,141</u>	<u>2,833,435</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(447,208)</u>	<u>173,208</u>	<u>4,042</u>
Fund Balances at Beginning of Year	16,562,608	6,585,735	473,523
Restatement	(273,066)	(109,516)	(1,948)
Restated Beginning Fund Balance	<u>16,289,542</u>	<u>6,476,219</u>	<u>471,575</u>
Fund Balance End of Year	<u>\$ 15,842,334</u>	<u>\$ 6,649,427</u>	<u>\$ 475,617</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
 Governmental Funds
 Statement of Revenues, Expenditures and Changes
 in Fund Balance
 For the Year Ended June 30, 2018

	Total Governmental Funds
Revenues	
Property Taxes	\$ 11,718,752
Fees	1,140,856
State & Local Grants	29,548,964
Federal Grants	2,958,078
Interest Income	11,099
Miscellaneous	1,216,883
Total Revenues	<u>46,594,632</u>
Expenditures	
Current	
Instruction	22,206,347
Support Services	
Students	2,774,097
Instruction	702,323
General Administration	618,123
School Administration	2,819,397
Central Services	804,977
Operation of Plant	5,593,968
Student Transportation	1,307,825
Food Service Operations	1,706,573
Capital Outlay	8,180,923
Total Expenditures	<u>46,714,553</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(119,921)</u>
Fund Balances at Beginning of Year	26,853,600
Restatement	(411,753)
Restated Beginning Fund Balance	<u>26,441,847</u>
Fund Balance End of Year	<u>\$ 26,321,926</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 To the Statement of Activities
 June 30, 2018

Excess (Deficiency) of Revenues Over Expenditures \$ (119,921)

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

Some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead reported as deferred outflows. They are however, recorded as revenues in the Statement of Activities.

Property Taxes Receivable, June 30, 2017	\$ (146,351)	
Property Taxes Receivable, June 30, 2018	<u>191,311</u>	44,960

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

Depreciation expense	(5,191,603)	
Capital Outlays	<u>8,180,923</u>	2,989,320

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences, June 30, 2017	135,473	
Compensated Absences, June 30, 2018	<u>(127,774)</u>	7,699

Pension and Other Post Employee Benefits (OPEB) contributions are reported as expenses in the government funds but are deferred outflows in the Statement of Net Position. Pension and OPEB expense is reported in the Statement of Activities but not in the governmental funds.

Pension Contributions	2,932,046	
OPEB Contributions	422,015	
Pension Expense	(13,603,353)	
OPEB Expense	<u>(880,159)</u>	<u>(11,129,451)</u>

Changes in Net Position of Governmental Activities \$ (8,207,393)

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 777,416	\$ 777,416	\$ 748,381	\$ (29,035)
Interest Income	7,000	7,000	7,536	536
Fees	81,450	81,450	73,497	(7,953)
State Grant	27,067,625	27,493,274	27,497,603	4,329
Miscellaneous	350,035	351,892	374,927	23,035
Total Revenues	<u>28,283,526</u>	<u>28,711,032</u>	<u>28,701,944</u>	<u>(9,088)</u>
Expenditures				
Instruction				
Personnel Services	13,768,592	13,823,693	13,416,999	406,694
Employee Benefits	4,769,385	4,735,525	4,638,329	97,196
Professional & Tech Services	61,350	76,488	64,202	12,286
Other Purchased Services	481,116	652,678	240,376	412,302
Supplies	123,546	225,064	175,936	49,128
Supply Assets	0	4,200	4,062	138
Total Instruction	<u>19,203,989</u>	<u>19,517,648</u>	<u>18,539,904</u>	<u>977,744</u>
Support Services				
Students				
Personnel Services	1,549,190	1,573,232	1,480,766	92,466
Employee Benefits	553,773	553,773	504,912	48,861
Professional & Tech Services	468,500	624,379	357,375	267,004
Other Purchased Services	150,150	7,578	0	7,578
Supplies	2,400	2,400	1,362	1,038
Total Students	<u>2,724,013</u>	<u>2,761,362</u>	<u>2,344,415</u>	<u>416,947</u>
Instruction				
Personnel Services	451,698	452,426	453,404	(978)
Employee Benefits	185,354	185,974	176,482	9,492
Professional & Tech Services	775	775	202	573
Other Purchased Services	51,400	51,400	1,988	49,412
Supplies	125,840	125,840	21,904	103,936
Total Instruction	<u>815,067</u>	<u>816,415</u>	<u>653,980</u>	<u>162,435</u>
General Administration				
Personnel Services	295,919	295,919	294,824	1,095
Employee Benefits	107,699	107,699	101,827	5,872
Professional & Tech Services	105,835	88,900	59,195	29,705
Other Purchased Services	94,950	105,295	17,157	88,138
Supplies	16,810	42,090	36,720	5,370
Total General Administration	<u>\$ 621,213</u>	<u>\$ 639,903</u>	<u>\$ 509,723</u>	<u>\$ 130,180</u>

State of New Mexico
Artesia Public Schools
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
School Administration				
Personnel Services	\$ 1,746,244	\$ 1,754,406	\$ 1,747,575	\$ 6,831
Employee Benefits	598,737	603,440	597,230	6,210
Professional & Tech Services	10,350	14,427	8,601	5,826
Other Purchased Services	151,400	142,516	1,958	140,558
Supplies	19,185	19,185	19,325	(140)
Total School Administration	<u>2,525,916</u>	<u>2,533,974</u>	<u>2,374,689</u>	<u>159,285</u>
Central Services				
Personnel Services	548,045	556,180	547,893	8,287
Employee Benefits	186,971	188,746	186,122	2,624
Professional & Tech Services	16,100	19,100	14,922	4,178
Other Purchased Services	166,965	154,330	38,796	115,534
Supplies	11,000	16,000	13,038	2,962
Total Central Services	<u>929,081</u>	<u>934,356</u>	<u>800,771</u>	<u>133,585</u>
Operation of Plant				
Personnel Services	1,171,205	1,194,837	1,171,205	23,632
Employee Benefits	461,142	501,462	461,142	40,320
Professional & Tech Services	11,093	16,600	11,093	5,507
Purchased Property Services	812,258	1,128,400	781,922	346,478
Other Purchased Services	747,616	1,193,517	747,576	445,941
Supplies	90,000	142,000	112,935	29,065
Total Operation of Plant	<u>3,293,315</u>	<u>4,176,816</u>	<u>3,285,873</u>	<u>890,943</u>
Student Transportation				
Personnel Services	27,900	27,900	0	27,900
Employee Benefits	15,665	15,665	0	15,665
Other Purchased Services	45,318	45,318	0	45,318
Supplies	950	950	0	950
Total Student Transportation	<u>89,833</u>	<u>89,833</u>	<u>0</u>	<u>89,833</u>
Total Support Services	\$ <u>10,998,438</u>	\$ <u>11,952,659</u>	\$ <u>9,969,451</u>	\$ <u>1,983,208</u>
Total Expenditures	<u>30,202,427</u>	<u>31,470,307</u>	<u>28,509,355</u>	<u>2,960,952</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,918,901)	(2,759,275)	192,589	2,951,864
Cash Balance Beginning of Year	<u>2,854,125</u>	<u>2,854,125</u>	<u>2,854,125</u>	<u>0</u>
Cash Balance End of Year	\$ <u><u>935,224</u></u>	\$ <u><u>94,850</u></u>	\$ <u><u>3,046,714</u></u>	\$ <u><u>2,951,864</u></u>

State of New Mexico
Artesia Public Schools
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 192,589	
Net Change in Taxes Receivable			(14,417)	
Net Change in Accounts Payable			(36,926)	
Net Change in Unavailable Revenue			(2,996)	
Restatement to Fund Balance			27,222	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>165,472</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
 General Fund-Teacherage-12000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Fees	\$ 125,000	\$ 126,000	\$ 142,331	\$ 16,331
Total Revenues	<u>125,000</u>	<u>126,000</u>	<u>142,331</u>	<u>16,331</u>
Expenditures				
Support Services				
Operation of Plant				
Personnel Services	40,050	41,840	41,609	231
Employee Benefits	17,614	21,579	20,800	779
Purchased Property Services	139,000	171,654	17,225	154,429
Other Purchased Services	103,000	97,345	39,483	57,862
Supplies	45,336	45,336	4,187	41,149
Supply Assets	29,000	29,000	900	28,100
Total Operation of Plant	<u>374,000</u>	<u>406,754</u>	<u>124,204</u>	<u>282,550</u>
Total Support Services	<u>374,000</u>	<u>406,754</u>	<u>124,204</u>	<u>282,550</u>
Total Expenditures	<u>374,000</u>	<u>406,754</u>	<u>124,204</u>	<u>282,550</u>
Excess (Deficiency) of Revenues Over Expenditures	(249,000)	(280,754)	18,127	298,881
Cash Balance Beginning of Year	<u>281,454</u>	<u>281,454</u>	<u>281,454</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 32,454</u>	<u>\$ 700</u>	<u>\$ 299,581</u>	<u>\$ 298,881</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 18,127	
Net Change in Accounts Payable			<u>63</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 18,190</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
 General Fund-Transportation-13000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 1,247,082	1,289,956	\$ 1,289,956	\$ 0
Miscellaneous	0	0	13	13
Total Revenues	<u>1,247,082</u>	<u>1,289,956</u>	<u>1,289,969</u>	<u>13</u>
Expenditures				
Support Services				
Student Transportation				
Personnel Services	37,275	37,275	36,917	358
Employee Benefits	19,222	19,222	19,019	203
Professional & Tech Services	1,000	1,000	0	1,000
Purchased Property Services	128,785	171,659	171,659	0
Other Purchased Services	1,060,285	1,060,285	1,061,683	(1,398)
Supplies	515	515	678	(163)
Total Student Transportation	<u>1,247,082</u>	<u>1,289,956</u>	<u>1,289,956</u>	<u>0</u>
Total Support Services	<u>1,247,082</u>	<u>1,289,956</u>	<u>1,289,956</u>	<u>0</u>
Total Expenditures	<u>1,247,082</u>	<u>1,289,956</u>	<u>1,289,956</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	13	13
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13</u>	<u>\$ 13</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ 13	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 13</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
 General Fund-Instructional Materials-14000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 109,326	\$ 153,235	\$ 119,953	\$ (33,282)
Total Revenues	<u>109,326</u>	<u>153,235</u>	<u>119,953</u>	<u>(33,282)</u>
Expenditures				
Instruction				
Supplies	135,902	179,811	169,514	10,297
Total Instruction	<u>135,902</u>	<u>179,811</u>	<u>169,514</u>	<u>10,297</u>
Total Expenditures	<u>135,902</u>	<u>179,811</u>	<u>169,514</u>	<u>10,297</u>
Excess (Deficiency) of Revenues Over Expenditures	(26,576)	(26,576)	(49,561)	(22,985)
Cash Balance Beginning of Year	<u>61,870</u>	<u>61,870</u>	<u>61,870</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 35,294</u>	<u>\$ 35,294</u>	<u>\$ 12,309</u>	<u>\$ (22,985)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ (49,561)	
Net Change in Accounts Payable			15,923	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (33,638)</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
Special Revenue Fund-Title I-24101
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grant	\$ 764,628	\$ 736,276	\$ 520,527	\$ (215,749)
Total Revenues	<u>764,628</u>	<u>736,276</u>	<u>520,527</u>	<u>(215,749)</u>
Expenditures				
Instruction				
Personnel Services	304,702	277,103	267,013	10,090
Employee Benefits	117,559	116,806	100,901	15,905
Professional & Tech Services	<u>33,036</u>	<u>33,036</u>	<u>0</u>	<u>33,036</u>
Total Instruction	<u>455,297</u>	<u>426,945</u>	<u>367,914</u>	<u>59,031</u>
Support Services				
General Administration				
Professional & Tech Services	<u>14,236</u>	<u>14,236</u>	<u>12,194</u>	<u>2,042</u>
Total General Administration	<u>14,236</u>	<u>14,236</u>	<u>12,194</u>	<u>2,042</u>
School Administration				
Personnel Services	119,951	119,951	119,655	296
Employee Benefits	43,682	43,682	42,498	1,184
Professional & Tech Services	<u>0</u>	<u>0</u>	<u>61</u>	<u>(61)</u>
Total School Administration	<u>163,633</u>	<u>163,633</u>	<u>162,214</u>	<u>1,419</u>
Total Support Services	<u>177,869</u>	<u>177,869</u>	<u>174,408</u>	<u>3,461</u>
Total Expenditures	<u>633,166</u>	<u>604,814</u>	<u>542,322</u>	<u>62,492</u>
Excess (Deficiency) of Revenues Over Expenditures	131,462	131,462	(21,795)	(153,257)
Cash Balance Beginning of Year	<u>(131,462)</u>	<u>(131,462)</u>	<u>(131,462)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (153,257)</u>	<u>\$ (153,257)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ (21,795)	
Net Change in Due from Grantor			<u>21,795</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
Special Revenue Fund-IDEA-B-Entitlement-24106
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grant	\$ 1,321,964	\$ 1,699,415	\$ 556,629	\$ (1,142,786)
Total Revenues	<u>1,321,964</u>	<u>1,699,415</u>	<u>556,629</u>	<u>(1,142,786)</u>
Expenditures				
Instruction				
Personnel Services	345,365	368,465	305,165	63,300
Employee Benefits	185,996	186,246	137,080	49,166
Professional & Tech Services	50,000	50,000	5,220	44,780
Other Purchased Services	0	25,541	22,411	3,130
Supplies	60,000	60,000	11,183	48,817
Supply Assets	30,000	30,000	3,590	26,410
Total Instruction	<u>671,361</u>	<u>720,252</u>	<u>484,649</u>	<u>235,603</u>
Support Services				
Students				
Personnel Services	178,023	260,523	87,132	173,391
Employee Benefits	60,533	60,533	20,819	39,714
Professional & Tech Services	6,000	51,476	12,488	38,988
Other Purchased Services	25,836	110,836	40	110,796
Supplies	6,000	52,500	15,222	37,278
Supply Assets	10,000	44,000	0	44,000
Total Students	<u>286,392</u>	<u>579,868</u>	<u>135,701</u>	<u>444,167</u>
General Administration				
Professional & Tech Services	27,512	35,997	17,603	18,394
Total General Administration	<u>27,512</u>	<u>35,997</u>	<u>17,603</u>	<u>18,394</u>
School Administration				
Personnel Services	131,220	139,720	94,261	45,459
Employee Benefits	61,587	71,186	38,283	32,903
Professional & Tech Services	5,800	5,800	1,065	4,735
Other Purchased Services	0	0	186	(186)
Supplies	10,000	18,500	10,732	7,768
Supply Assets	2,300	2,300	450	1,850
Total School Administration	<u>210,907</u>	<u>237,506</u>	<u>144,977</u>	<u>92,529</u>
Total Support Services	<u>524,811</u>	<u>853,371</u>	<u>298,281</u>	<u>555,090</u>
Total Expenditures	\$ <u>1,196,172</u>	\$ <u>1,573,623</u>	\$ <u>782,930</u>	\$ <u>790,693</u>

State of New Mexico

Artesia Public Schools

Special Revenue Fund-IDEA-B-Entitlement-24106

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>with Final</u>
			<u>Basis)</u>	<u>Budget-</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 125,792	\$ 125,792	\$ (226,301)	\$ (352,093)
Cash Balance Beginning of Year	<u>(125,792)</u>	<u>(125,792)</u>	<u>(125,792)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (352,093)</u>	<u>\$ (352,093)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ (226,301)	
Net Change in Due from Grantor			<u>226,301</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (0)</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
Special Revenue Fund-Kindergarten 3 Plus-27166
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grant	\$ 390,446	\$ 519,431	\$ 322,576	\$ (196,855)
Total Revenues	<u>390,446</u>	<u>519,431</u>	<u>322,576</u>	<u>(196,855)</u>
Expenditures				
Instruction				
Personnel Services	145,033	217,385	195,637	21,748
Employee Benefits	34,155	51,192	45,594	5,598
Other Purchased Services	1,600	1,600	425	1,175
Supplies	8,163	17,660	12,870	4,790
Total Instruction	<u>188,951</u>	<u>287,837</u>	<u>254,526</u>	<u>33,311</u>
Support Services				
School Administration				
Personnel Services	53,600	71,751	63,664	8,087
Employee Benefits	12,623	18,304	14,947	3,357
Total School Administration	<u>66,223</u>	<u>90,055</u>	<u>78,611</u>	<u>11,444</u>
Student Transportation				
Other Purchased Services	24,658	24,745	16,686	8,059
Total Student Transportation	<u>24,658</u>	<u>24,745</u>	<u>16,686</u>	<u>8,059</u>
Total Support Services	<u>90,881</u>	<u>114,800</u>	<u>95,297</u>	<u>19,503</u>
Food Service				
Personnel Services	21,255	26,258	17,125	9,133
Employee Benefits	5,006	6,183	3,917	2,266
Total Food Service	<u>26,261</u>	<u>32,441</u>	<u>21,042</u>	<u>11,399</u>
Total Expenditures	<u>306,093</u>	<u>435,078</u>	<u>370,865</u>	<u>64,213</u>
Excess (Deficiency) of Revenues Over Expenditures	84,353	84,353	(48,289)	(132,642)
Cash Balance Beginning of Year	<u>(84,353)</u>	<u>(84,353)</u>	<u>(84,353)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (132,642)</u>	<u>\$ (132,642)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ (48,289)	
Net Change in Due from Grantor			48,433	
Net Change in Accounts Payable			(144)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
Statement of Fiduciary Assets and Liabilities-Agency Funds
June 30, 2018

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ <u>1,509,529</u>
Total Assets	\$ <u><u>1,509,529</u></u>
Liabilities	
Deposits Held for Others	\$ <u>1,509,529</u>
Total Liabilities	\$ <u><u>1,509,529</u></u>

The notes to the financial statements are an integral part of this statement.

Summary of Significant Accounting Policies

The financial statements of the Artesia Public Schools (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Financial Reporting Entity

The District has been in existence since the early nineteen hundreds, and is currently operating under the provisions of the Public School District Code, Chapter 22, of the New Mexico Statutes Annotated, 1978 Compilation. The District operates with a local board of education - superintendent form of government and provides a supervised program of instruction designed to educate students at the elementary and secondary level.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The District has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected District members are financially accountable. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship.

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

The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follows below:

Governmental Funds

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

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds.

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

Capital Projects Funds - The Capital Projects Funds is used to account for all resources for the acquisition of capital facilities by the District.

Debt Service Fund - The Debt Service Fund is used to account for all resources for, and the payment of, principal, interest and related costs.

Fiduciary Fund Type

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the District.

The Student Activity Fund, an agency fund, accounts for assets held by the District as an agent for the District organizations. These organizations exist with the explicit approval of and are subject to revocation by the District's Board of Education. This accounting reflects the District's agency relationship with the student activity organizations.

Major Funds

The District reports the following major governmental funds:

General Fund (11000)(12000)(13000)(14000).The General Fund consist of four sub funds. The first is the Operational fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. The Teacherage accounts for rents collected from teachers and related expenditures. The Transportation fund includes a state grant to provide transportation for students in the District. The Instructional Materials fund accounts for a state grant to provide text books for students in the District.

Special Revenue Fund

Title I (24101).To account for a program funded by a Federal grant to supplement the regular instructional program for educationally deprived students. Funding authorized by the Elementary and Secondary Act of 1965, Chapter I of Title I, as amended, Public Laws 100-297, 20 U.S.C. 2701. The fund was created by the authority of federal grant provisions.

IDEA-B Entitlement (24106) To account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U. S. C. 1411-1420. The fund was created by the authority of federal grant provisions.

Kindergarten Plus 3 (27178). To account for funds received to provide the opportunity for the district to address early literacy. The full-day kindergarten program is the first step in the implementation of a sequential early literacy approach to teaching reading. The fund was created by grant provisions.

Major Capital Projects Fund

House Bill 33 (31600) To account for resources received through House Bill 33 and local tax levies obtained for the financing, construction and remodeling of various school buildings. Expenditures are restricted to Capital Improvements.

Senate Bill Nine-Local (31701). The revenues are derived from a district tax levy. Expenditures are restricted to capital improvements, repairs and maintenance, supplies and supply assets used in the upkeep of the facilities.

Measurement Focus and Basis of Accounting ***Government-Wide Financial Statements (GWFS)***

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

In the government-wide Statement of Net Position, the governmental activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts - invested in net capital assets; restricted and unrestricted net position.

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

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues include: 1) charges for services to students or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions, Transportation, Food Service, Special Revenue Funds such as special education as well as others, and 3) program specific capital grants and contributions.

Fund Financial Statements (FFS)

Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 30 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the district-wide financial statements.

Revenues

Taxes. Ad valorem taxes are susceptible to full accrual on the government wide financial statements. Property Tax revenues recognize revenues net of estimated refunds and uncollectible accounts in the period for which the taxes are levied.

Grants. Government mandated nonexchange transaction and voluntary nonexchange transactions. Recipients should recognize revenues in the period when all applicable eligibility requirements have been met and the resources are available.

Revenue Recognition for Grants

Eligibility requirements for government-mandated and voluntary nonexchange transaction comprise one or more of the following:

1. Required characteristics of recipients. The recipient has the characteristics specified by the provider (are required to be school districts).
2. Time requirements. Time requirements specified by enabling legislation or the provider have been met (period when the resources are required to be used).
3. Reimbursements. The provider offers resources on a reimbursement ("expenditure-driven") basis and the recipient has incurred allowable costs under the applicable program.

4. Contingencies. The providers offer of resources is contingent upon a specified action of the recipient and that action has occurred (the recipient has raised the matching funds).

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

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

Expenditures

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

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, etc.) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Basis of Budgeting

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

Budgets for the General, Special Revenue, Debt Service and Capital Projects Funds are adopted on a basis inconsistent with generally accepted accounting principles (GAAP). These budgets are prepared using the cash basis of accounting. Budgetary comparisons for the various funds in this report are on the non-GAAP budgetary basis.

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

1. Prior to April 15, (unless a later date is fixed by the Secretary of Education) the local school board submits to the School Budget and Finance Analysis Unit (SBFAU) of the New Mexico Public Education Department an estimated budget for the District for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the New Mexico Public Education Department (PED) by the district shall contain headings and details as prescribed by law.
2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBFAU and certified and approved by the local school board at the public hearing of which notice has been published by the local school board which fixed the estimated budget for the district for the ensuing fiscal year.
3. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBFAU and the local school board. The budget shall be integrated formally in to the accounting system. Encumbrances shall be used as an element for control and shall be integrated into the budget system.
4. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBFAU.

5. No school board or officer or employee of the District shall make any expenditures or incur any obligation for the expenditures of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division. But this does not prohibit the transfer of funds between line items within a series of a budget.
6. Budget change requests are processed in accordance with Supplement I (Budget Preparation and Maintenance) of the *Manual of Procedures Public School Accounting and Budgeting*. Such changes are initiated by the District and approved by the SBFAU.
7. Legal budget control for expenditures is by function.
8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the District has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

Cash and Cash Equivalents

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

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

Investments

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

- (a) bonds or negotiable securities of the United States, the state or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or
- (b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.
- (c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Receivables and Payables

Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

Property Taxes

The County collects the District's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer 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 such taxes and distributes them to the District on a monthly basis. The District accounts for its share of property taxes in the General, Debt Service and Capital Projects Funds. Only those collections received are recorded as revenues for the budget presentation.

Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Inventories and Prepaid Items

Purchased inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Cafeteria Fund consists of purchased food and non-food items and United States Department of Agriculture (USDA) commodities. Commodities are shown at the USDA procurement cost. Costs are recorded as expenditures at the time individual inventory items are used (consumption method). Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both District-wide and fund financial statements.

Capital Assets

Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. 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.

If there are any construction projects funded by the NM Public School Facilities Authority they are included in the appropriate capital projects fund and in the capital assets.

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

Buildings & Improvements	20-50 Years
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	3-15 Years

Capital Leases

Capital leases are recorded at the inception of the leases as expenditures and other financing sources in governmental fund financial statement at the present value of the future minimum lease payments, using the stated or implicit interest rate in the leases. Lease payments are recorded as expenditures on the due date. Capital leases are recorded as a liability in the government-wide financial statement at the time of inception and the corresponding asset is recorded in the capital asset section on the balance sheet.

Short-Term Debt

Short-term debt results from borrowings characterized by anticipation notes, use of lines of credit, and similar loans. The District does not have any activity in short-term debt.

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference from the effective interest method is minimal. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual net of debt proceeds received, are reported as debt service expenditures.

Restricted Net Position

For the government-wide statement of net position, net positions are reported as restricted when constraints placed use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available it will first be applied to restricted resources.

Fund Balances of Fund Financial Statements

Nonspendable fund balance indicates that portion of fund equity is not spendable such as inventory.

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resources providers, or through enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual amount that is not restricted or committed.

Interfund Transfers

In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

Deferred Outflows

The District reports deferred revenues on its Statement of Net Position and Fund Balance Sheet. Deferred outflows arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized. Deferred outflows also occur in the fund financial statements when revenue is earned but is not available. The revenue becomes available if received within 30 days of the fiscal year end.

Compensated Absences

After a full time twelve (12) month support staff employee has been with the Artesia Public Schools for a period of at least six months, the employee is entitled to a five (5) days paid vacation; after twelve months employment, the employee is entitled to a ten (10) days paid vacation. Vacation may accumulate to a maximum of twenty (20) days, at which time no more vacation can be earned. As accumulated vacation days are used and drop below twenty (20) days, an eligible employee may again accumulate vacation up to the maximum limit. Vacation is to be scheduled at an appropriate time and approved by the supervisor. If an employee is discharged the employee shall receive commensurate vacation pay.

After a full time twelve (12) month support staff employee has been with the Artesia Public Schools for a period of twenty-five (25) years, the employee is entitled to a fifteen (15) days paid vacation. Vacation may accumulate to a maximum of thirty (30) days, at which time no more vacation can be earned. As accumulated vacation days are used and drop below thirty (30), an eligible employee may again accumulate vacation up to the maximum limit. After twenty-six (26) years, a full-time twelve (12) month employee may accrue one additional vacation day for each full year of service and those days may accumulate to a maximum of twice the number of days earned. As accumulated vacation days are used and drop below the accumulated total, an eligible employee may again accumulate vacation up to the maximum limit. Vacation is to be scheduled at an appropriate time and approved by the supervisor. If an employee is discharged the employee shall receive commensurate vacation pay.

The District's recognition and measurement criteria for compensated absences follow:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both the following conditions are met:

- (a) The employees' right to receive compensation is attributable to services already rendered.
- (b) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

Estimates

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

A. Deposits and Investments

The District is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

<u>Name of Account</u>	Balance		<u>Type</u>
	Per Bank 6/30/18	Reconciled Balance	
APS-Operational	\$ 6,085,704	\$ 4,433,312	Interest-Checking
APS-Operational (NMPSIA)	34,051	34,051	Interest-Checking
Total Deposited	6,119,755	\$ 4,467,363	
Less FDIC Coverage	(250,000)		
Uninsured Amount	5,869,755		
50% collateral requirement	2,934,877		
Pledged securities	5,923,699		
Over (Under) requirement	\$ 2,988,822		

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding

The following securities are pledged at Western Bank:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
Los Lunas, NM	545562PH7	\$ 350,000	07/15/2021	FHLB Dallas, TX
Los Lunas, NM	545562PH7	195,000	07/15/2021	FHLB Dallas, TX
Artesia, NM	04310LAT7	353,395	06/01/2027	FHLB Dallas, TX
UNM Gallup	914684DW2	250,627	10/15/2023	FHLB Dallas, TX
FNMA	31412SKY0	84,001	03/01/1938	FHLB Dallas, TX
FFCB	3133EHRW5	675,998	07/24/2025	FHLB Dallas, TX
FNMA	3138LFQT8	1,872,836	11/01/2023	FHLB Dallas, TX
FNMA	313G05J6	972,111	05/26/2021	FHLB Dallas, TX
FHLB	3133XFKF2	1,082,715	06/11/2021	FHLB Dallas, TX
FHLMC#91273	3128P7MW0	87,017	10/01/2029	FHLB Dallas, TX
		\$ 5,923,699		

<u>Name of Account</u>	Balance		<u>Type</u>
	Per Bank 6/30/18	Reconciled Balance	
APS (Inst Material/Medicaid)	\$ 33,497	\$ 33,497	Non-Interest-Checking
APS-Operational	1,022	1,022	Interest-Checking
APS (IRS Taxes)	0	0	Non-Interest-Checking
Cafeteria	9,398	9,398	Interest-Checking
Activities	1,224	1,224	Interest-Checking
Activities	1,072	1,072	Interest-Checking
Capital Improvements	22,481,120	21,599,616	Interest-Checking
HB-33	2,179	2,179	Interest-Checking
Capital Projects-CD	500,000	500,000	Interest-Savings
	23,029,513	\$ 22,148,009	
Less FDIC Coverage	(500,000)		
Uninsured Amount	22,529,513		
50% collateral requirement	11,264,756		
Pledged securities	14,791,547		
Over (Under) requirement	\$ 3,526,791		

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

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The following securities are pledged at First American Bank:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
San Juan ISO #22 Bldg. NM 18	798359HQ1	\$ 901,278	08/01/2018	FHLB Dallas, TX
Taos SD #1-Ed Trch NT NM 19	976014FE6	567,661	09/01/2019	FHLB Dallas, TX
Albuquerque SD #12-A NM 19	013595QN6	203,128	08/01/2019	FHLB Dallas, TX
Grants Etc Co SD 1-A NM 20	388240FZ1	801,240	11/15/2020	FHLB Dallas, TX
Albuquerque SD #12-A NM 22	013595LM3	1,027,030	08/01/2022	FHLB Dallas, TX
Albuquerque SD #12-A NM 22	013595LM3	1,027,030	08/01/2022	FHLB Dallas, TX
Alamogordo Muni SD #1 NM 2	011464HL1	793,360	08/01/2023	FHLB Dallas, TX
Torrance Etc Cntys NM 23	891400NS8	356,137	09/01/2023	FHLB Dallas, TX
FNMA 10 YR	31418BFN1	760,333	07/01/2024	FHLB Dallas, TX
Clovis Mun SD #2 NM 24	189414JA4	648,161	08/01/2024	FHLB Dallas, TX
Ruidoso-Ref NM 25	781346DP3	265,946	06/01/2025	FHLB Dallas, TX
Belen SD #2 Bldg NM 25	077581PT7	708,631	08/01/2025	FHLB Dallas, TX
FNMA 10 YR	31418CF25	1,390,157	01/01/2027	FHLB Dallas, TX
FNMA 15 YR	3138EJCG1	550,509	05/01/2027	FHLB Dallas, TX
Truth ETC SD #6 NM 27	898439EC4	341,422	08/01/2027	FHLB Dallas, TX
Truth ETC SD #6 NM 27	898439ES9	311,607	08/01/2027	FHLB Dallas, TX
Mosquero SD #5	619636EX7	103,688	10/15/2027	FHLB Dallas, TX
Dona Ana CO NM 29	257579DB5	162,158	09/01/2029	FHLB Dallas, TX
FNMA 15 YR	3138ENYB9	866,957	12/01/2029	FHLB Dallas, TX
MC Kinley Gross Rcpts NM	581615DR9	509,360	06/01/1930	FHLB Dallas, TX
Dona Ana CO NM 30	257579DC3	466,433	09/01/1930	FHLB Dallas, TX
FNMA 20YR	31410LQE5	941,626	01/01/1932	FHLB Dallas, TX
FNMA ARM	3138ELZ97	769,174	08/01/1936	FHLB Dallas, TX
GNMA 11 5x1	36225FLV9	318,521	02/20/1942	FHLB Dallas, TX
		<u>\$ 14,791,547</u>		

Custodial Credit Risk-Deposits

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 750,000
Collateralized:	
Collateral held by the pledging bank in District's name	20,715,246
Uninsured and uncollateralized	<u>7,684,021</u>
Total Deposits	<u>\$ 29,149,268</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2018 \$7,684,021 of the District's balance of \$29,149,268 was exposed to custodial risk.

B. Receivables

Following is a schedule of receivables as of June 30, 2018:

	<u>General Fund 11000</u>	<u>HB 33 31600</u>	<u>Senate Bill Nine-Local 31701</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property Taxes Available	\$ 40,488	\$ 409,935	\$ 163,148	0	\$ 613,571
Unavailable	11,693	127,666	49,679	2,273	191,311
	<u>\$ 52,181</u>	<u>\$ 537,601</u>	<u>\$ 212,827</u>	<u>2,273</u>	<u>\$ 804,882</u>

State of New Mexico
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June 30, 2018

	Title I 24101	Entitlement IDEA-B 24106	Kindergarten Plus 3 27166	Other Governmental Funds	Total
Due From Grantors					
State	\$ 0	\$ 0	\$ 132,786	\$ 49,969	\$ 182,755
Federal Agencies	153,257	352,093	0	124,316	629,666
	<u>\$ 153,257</u>	<u>\$ 352,093</u>	<u>\$ 132,786</u>	<u>\$ 174,285</u>	<u>\$ 812,421</u>

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Funds				
	Title I 24101	IDEA-B Entitlement 24106	Kindergarten Plus 3 27166	Other Governmental Funds	Totals
Operational Fund	\$ <u>153,257</u>	\$ <u>352,093</u>	\$ <u>132,642</u>	\$ <u>170,332</u>	\$ <u>808,324</u>

The above interfund balances resulted from reimbursement grants. The shortfalls were covered by the above funds. All transactions will be repaid within one year.

D. Capital Assets

Capital Assets Balances and Activity for the year ended June 30, 2018, is as follows:

	Balance 6/30/17	Increases	Decreases	Ending Balance 6/30/18
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 215,439	\$ 0	\$ 0	\$ 215,439
Total Capital Assets not being Depreciated	<u>215,439</u>	<u>0</u>	<u>0</u>	<u>215,439</u>
Capital Assets, being Depreciated				
Buildings & Improvements	116,510,764	7,047,517	0	123,558,281
Equipment, Vehicles, Software & Library Books	9,608,376	1,133,407	0	10,741,783
Total Capital Assets, being Depreciated	<u>126,119,140</u>	<u>8,180,924</u>	<u>0</u>	<u>134,300,064</u>
Total Capital Assets	<u>126,334,579</u>	<u>8,180,924</u>	<u>0</u>	<u>134,515,503</u>
Less Accumulated Depreciation				
Buildings & Improvements	54,562,264	4,354,889	0	58,917,153
Equipment, Vehicles, Software & Library Books	4,079,215	836,714	0	4,915,929
Total Accumulated Depreciation	<u>58,641,479</u>	<u>5,191,603</u>	<u>0</u>	<u>63,833,082</u>
Capital Assets, net	<u>\$ 67,693,100</u>	<u>\$ 2,989,321</u>	<u>\$ 0</u>	<u>\$ 70,682,421</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 5,191,603
Total Depreciation Expenses	<u>\$ 5,191,603</u>

E. Commitments

The District has various construction commitments on June 30, 2018.

F. Long-Term Debt and Other Liabilities

The District has no long-term debt.

G. Retirement Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

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

All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined Section 22-11-2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

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

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

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

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

- *The member's age and earned service credit add up to the sum of 80 or more,
- *The member is at least sixty-seven years of age and has five or more years of earned service credit, or
- *The member has service credit totaling 30 years or more.

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

These members must meet one of the following requirements:

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

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

Benefit Options. The Plan has three benefit options available.

Option A. Straight Life Benefit. The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.

Option B. Joint 100% Survivor Benefit. The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

Option C. Joint 50% Survivor Benefit. The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A. The member's increased monthly benefit commences in the month following the beneficiary's death.

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

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

*Tier 1 membership is comprised of employees who became members prior to July 1, 2010.

*Tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013.

*Tier 3 membership is comprised of employees who became members on or after July 1, 2013.

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.5%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

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

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

Contributions. For the fiscal year ended June 30, 2018 educational employers contributed to the Plan based on the following rate schedule.

<u>Fiscal Year</u>	<u>Date Range</u>	<u>Wage Category</u>	<u>Member's Rate</u>	<u>Employer's Rate</u>	<u>Combined Rate</u>
2018	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%
2018	7-1-16 to 6-30-17	\$20K or less	7.90%	13.90%	21.80%

There was no change in the rates from the previous year.

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2018 and 2017, the District paid employee and employer contributions of \$5,159,972 and \$5,131,557, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District reported a liability of \$81,842,914 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the District's portion was established as of the measurement date of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2017, the District's proportion was 0.73643%, which was an increase of 0.00818% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$13,603,353. At the June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 146,916	1,260,867
Net difference between projected and actual earnings on pension plan investments	0	11,227
Changes of assumptions	23,891,555	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,108,660	0
District's contributions subsequent to the measurement date	2,932,046	0
Total	\$ <u>28,079,177</u>	<u>1,272,094</u>

\$2,932,046 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June	
2019	\$ 9,424,460
2020	9,469,093
2021	5,655,398
2022	(673,914)
Total	\$ <u>23,875,037</u>

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

Inflation	2.50%										
Salary Increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.										
Investment Rate of Return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.										
Average Expected Remaining Service Lives	<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Fiscal year</th> <th style="text-align: center; border-bottom: 1px solid black;">2017</th> <th style="text-align: center; border-bottom: 1px solid black;">2016</th> <th style="text-align: center; border-bottom: 1px solid black;">2015</th> <th style="text-align: center; border-bottom: 1px solid black;">2014</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Service Life in Years</td> <td style="text-align: center;">3.35</td> <td style="text-align: center;">3.77</td> <td style="text-align: center;">3.92</td> <td style="text-align: center;">3.88</td> </tr> </tbody> </table>	Fiscal year	2017	2016	2015	2014	Service Life in Years	3.35	3.77	3.92	3.88
Fiscal year	2017	2016	2015	2014							
Service Life in Years	3.35	3.77	3.92	3.88							
Mortality	<p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>										
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.										
Cost-of-living Increases	1.90% per year, compounded annually.										
Payroll Growth	3.00% per year (with no allowance for membership growth).										
Contribution Accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.										
Disability Incidence	Approved rates are applied to eligible members with at least 10 years of service.										

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

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

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

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

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

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

Sensitivity of the Net Pension Liability. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.90 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.90 percent) or 1-percentage-point higher (6.90 percent) than the current rate:

	1% Decrease (4.9%)	Current Discount Rate (5.9%)	1% Increase (6.9%)
The Districts' proportionate share of the net pension liability	\$ <u>106,539,121</u>	\$ <u>81,842,914</u>	\$ <u>61,655,774</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued NMERB'S financial reports. The reports can be found on NMERB's Web site at https://www.nmerb.org/Annual_reports.html.

H. Other Post-Employment Benefits (OPEB)

Retiree Health Care Plan

The New Mexico Retiree Health Care Authority (the Authority) was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Retiree Health Care Fund (the Fund) under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

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

All regular full-time employees of the District are members of the Plan, in addition to certain job share and intermittent employees. Eligible employees become members on the first day they are physically on the job. At June 30, 2017, Plan membership consisted of the following:

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

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

Because the Authority is a self-funded, mainly self-insured entity pursuant to Section 10-7C NMSA 1978, the Authority is not construed to be transacting insurance activity otherwise subject to the laws of the State of New Mexico that regulate insurance companies and therefore, not subject to minimum statutory reserve requirements.

Employer and employee contributions to the Authority total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Authority.

Current retirees are required to make monthly contributions for individual basic medical coverage. The Board may designate other plans as "optional coverages." See Section 10 7C-13 NMSA 1978 for more details.

The Schedules are prepared using the economic resource measurement focus and the accrual basis of accounting in accordance with the standards issued by the Government Accounting Standards Board (GASB). Contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. For the purposes of measuring the net OPEB liability, deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the Authority and additions to and deductions from Authority's fiduciary net position have been determined on the same basis as they were reported by Authority. Each participating employer's proportionate share of the Fund's net OPEB liability, deferred amounts and OPEB expense is calculated based on the employer's contributions to the Fund as a percentage of total employer contributions received by the Fund during the measurement year.

The preparation of the schedules in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures for the reporting period. Actual results could differ from those estimates.

Benefits Provided

Benefit Types: Retirees and spouses are eligible for medical and prescription drug benefits. Dental and vision benefits are also available, but were not included in this valuation, since they are 100% retiree paid. A description of these benefits may be found at www.nmrhca.org by clicking on Retirees.

Duration of Coverage: Employees and dependents are valued for life.

Dependent Benefits: Same as retirees.

Dependent Coverage: Same as retirees.

Retiree Contributions: The retiree contribution is derived on a service based schedule implemented effective 7/1/2001 and updated annually. The table below shows the anticipated retiree paid portion of claims.

Non-Medicare Retiree	33.0%	34.3%	35.5%	36.0%
Non-Medicare Spouse	57.6%	60.5%	63.0%	64.0%
Medicare Retiree	52.7%	50.9%	50.0%	50.0%
Medicare Spouse	79.1%	76.4%	75.0%	75.0%

Retired Before 2020 or in Public Safety Pension Plan

Years of Service	Percent of full subsidy based on service	Years of Service	Percent of full subsidy based on service
5	6.25%	13	56.25%
6	12.50%	14	62.50%
7	18.75%	15	58.75%
8	25.00%	16	75.00%
9	31.25%	17	81.25%
10	37.50%	18	87.50%
11	43.75%	19	93.75%
12	50.00%	20+	100.00%

Retired After 2019 and Not in Public Safety Pension Plan

Years of Service	Percent of full subsidy based on service	Years of Service	Percent of full subsidy based on service
5	4.76%	16	57.14%
6	9.52%	17	61.90%
7	14.29%	18	66.67%
8	19.05%	19	71.43%
9	23.81%	20	76.19%
10	28.57%	21	80.95%
11	33.33%	22	85.71%
12	38.10%	23	90.48%
13	42.86%	24	95.24%
14	47.62%	25+	100.00%
15	52.38%		

Actuarial Valuation

The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2017. The mortality, retirement, disability, turnover and salary increase assumptions are based on the PERA annual valuation as of June 30, 2016 and the ERB actuarial experience study as of June 30, 2016. The following actuarial assumptions were applied to the actuary's measurement:

Valuation Date	6/30/17
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB members; 2.25% for PERA members
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation rate 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions. The best estimates for the long-term expected rate of return is summarized as follows:

Asset Class	Target Allocation	Long-Term Rate of Return
U.S. core fixed income	20.0%	4.1%
U.S. equity - large cap	20.0%	9.1%
Non U.S. - emerging markets	15.0%	12.2%
Non U.S. - developed	12.0%	9.8%
Private equity	10.0%	13.8%
Credit and structured	10.0%	7.3%
Real estate	5.0%	6.9%
Absolute return	5.0%	6.1%
U.S. equity - small/mid cap	3.0%	9.1%

Discount Rate

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

Sensitivity of the Net OPEB Liability

The following presents the net OPEB liability, calculated using the discount rate of 3.81%, as well as what the Fund's net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower or 1-percent higher than the current rate:

	1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
The Districts' proportionate share of the net OPEB liability \$	26,853,755 \$	22,138,582 \$	18,439,105

The following presents the Net OPEB Liability of NMRHCA as of June 30, 2017, as well as what the Fund's Net OPEB Liability would be if it were calculated using a health cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the health cost trend rates used:

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
The Districts' proportionate share of the net OPEB liability \$	18,830,389	22,138,582	24,718,155

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

At June 30, 2018, the District reported a liability of \$22,138,582 for their proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The total OPEB liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion as established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating institutions, actuarially determined. At June 30, 2017, the District's proportion was 0.48853%, which was an increase of 0% from their proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the District recognized OPEB expense of \$880,159. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	849,561
Net difference between projected and actual earnings on OPEB investments	0	318,479
Changes in assumptions	0	3,870,649
Changes in proportion and differences between the District's contributions and proportionate share of contributions	0	0
District's contributions subsequent to the measurement date	422,015	0
Total	<u>\$ 422,015</u>	<u>5,038,689</u>

\$422,015 reported as deferred outflows of resources related to OPEB resulting from District's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June</u>	
2019	\$ (1,071,261)
2020	(1,071,261)
2021	(1,071,261)
2022	(1,071,261)
2023	(753,645)
Total	\$ <u><u>(5,038,689)</u></u>

Additional Information. Additional financial information is available at www.nmrhca.org or by contacting New Mexico Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

I. Reconciliation of Budgetary Basis to GAAP Basis Statements

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

The reconciliation of budgetary basis to GAAP basis statements are located at the bottom of each budget actual.

J. Contingent Liabilities

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

K. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; and injuries to employees; and natural disasters. The District, as a New Mexico Public School, is insured through the New Mexico Public Schools Insurance Authority (NMPSIA). Annual premiums are paid by the District to NMPSIA for coverage provided in the following areas:

- Property and Automobile Liability and Physical Damage
- Liability and Civil Rights and Personal Injury
- Contract School Bus Coverage; and
- Crime

The officials and certain employees of the District are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

L. Joint Powers Agreements

The Southeastern New Mexico Educational Resource Center was established in recognition of the need to compensate for the unique isolation of the school districts in southeastern New Mexico. The primary mission of the regional center is to provide resources to the school districts in Chaves, Eddy, and Lea Counties through the collaborative efforts of the eleven participating districts and three government agencies. Local businesses have also joined in this partnership by providing sponsorship to many of the programs developed by the partners. Southeastern New Mexico Educational Resource Center is not a legal entity since it was not properly formed through a joint powers agreement adopted by each participating school district.

A joint powers agreement was entered into between the Artesia Public Schools (District) and the New Mexico Human Services Department to participate in the Medicaid School-Based Services program.

The Human Services Department (HSD) shall oversee the provision of direct services in the Medicaid School Based Services program. The District shall identify the special education and related services needs of each IDEA-eligible child or youth, regardless of whether all services identified qualify for Medicaid reimbursement. The District will collaborate with local community health and human service providers to develop and implement a Collaborative Plan that identifies health needs with the community and outlines strategies to meet those needs.

The purpose of the program is provide Medicaid reimbursable services to Medicaid eligible children.

The agreement became effective February 28, 2005 and remains in effect until terminated by the parties pursuant to the terms of the agreement.

The District and HSD shall maintain fiscal records, as required by applicable federal and state laws and regulations. The District shall provide copies of such reports to HSD when requested, in accordance with the requirements of the Medicaid Provider Participation Agreement. The District has the audit responsibility for the revenues and expenditures at the District.

M. Concentrations

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

N. Subsequent Events

Subsequent events were evaluated through October 24, 2018, which is the date the financial statements were available to be issued.

O. Restatement

Fund balance was restated \$(411,753) for current taxes receivable. Net position was restated for \$(411,753) for current taxes receivable and \$(26,297,112) for the OPEB Liability for a total of \$(26,708,867).

P. Tax Abatement Disclosures

The District has not affected by a tax abatement.

Required Supplemental Information

State of New Mexico
Artesia Public Schools
Schedules of Required Supplementary Information for Pension Plan

Schedule of the District's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

	Fiscal	2015	2016	2017	2018
	Year Measurement Date	2014	2015	2016	2017
District's proportion of the net pension liability		0.68753%	0.72010%	0.72825%	0.73643%
District's proportionate share of the net pension liability	\$	39,228,602	\$ 46,702,385	\$ 52,408,027	\$ 81,842,914
District's covered-employee payroll	\$	20,496,186	\$ 20,800,033	\$ 20,971,987	\$ 21,093,859
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		191.39%	224.53%	249.90%	387.99%
Plan fiduciary net position as a percentage of the total pension liability		66.54%	63.97%	61.58%	52.95%

*Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

Schedule of District's Contributions
Last 10 Fiscal Years*

	June 30,			
	2015	2016	2017	2018
Contractually required contribution	\$ 2,848,969	\$ 2,891,204	\$ 2,915,024	\$ 2,932,046
Contributions in relation to the contractually required	2,848,969	2,891,204	2,915,024	2,932,046
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0
District's covered-employee payroll	\$ 20,496,186	\$ 20,800,033	\$ 20,971,987	\$ 21,093,859
Contributions as a percentage of covered-employee payroll	13.90%	13.90%	13.90%	13.90%

*Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

The notes to the financial statements are an integral part of this statement.

Notes to Required Supplementary Information

Changes of benefit terms and assumptions.

The liabilities reflect the impact of Senate Bill 115, signed into law on March 29, 2013, and new assumptions adopted by the Board of Trustees on June 12, 2015 in conjunction with the six-year experience study period ended June 30, 2014. Specifically, the liabilities measured as of June 30, 2016 incorporate the following assumptions:

- * All members with annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 and thereafter,
- * Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67,
- * COLAs for most retirees are reduced until NMERB attains a 100% funded status, and
- * For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

The notes to the financial statements are an integral part of this statement.

Schedule of the District's Proportionate Share of the Net Other Post Employee Benefits (OPEB) Liability

Last 10 Fiscal Years*

	Fiscal Year Measurement Date	2018 <u>2017</u>
District's proportion of the net OPEB liability		0.48853%
District's proportionate share of the net OPEB liability	\$	22,138,582
District's covered-employee payroll	\$	21,093,859
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		104.95%
Plan fiduciary net OPEB as a percentage of the total OPEB liability		11.34%

**Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2018, the year the statement's requirements became effective.

Schedule of District's Contributions

Last 10 Fiscal Years*

	<u>June 30,</u> <u>2018</u>
Contractually required contribution	\$ 422,015
Contributions in relation to the contractually required contribution	<u>422,015</u>
Contribution deficiency (excess)	\$ <u><u>0</u></u>
District's covered-employee payroll	21,093,859
Contributions as a percentage of covered-employee payroll	2.00%

**Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for District is not available prior to fiscal year 2018, the year the statement's requirements became effective.

Notes to Required Supplementary Information

Changes of benefit terms and assumptions. There were no changes in benefit terms from the previous valuation. A description of these benefits may be found at www.nmrhca.org by clicking on Retirees. Assumptions are included in the notes to the financial statements Note H.

The notes to the financial statements are an integral part of this statement.

**Supplemental Information Related to
Nonmajor Funds**

Nonmajor Special Revenue Funds

Food Service (21000). To account for revenue and expenditures associated with the school breakfast and lunch program. Funding is provided from fees from patrons and USDA food reimbursements. Authority for creation of this fund is NMSA 22-13-13.

Athletics (22000). To account for revenue and expenditures associated with the District's budgeted athletic activities. (NMAC 6.20.2).

IDEA Preschool (24109). To account for a program funded by a Federal grant to assist the District in providing a free appropriate public education to preschool disabled children aged three through five years. Funding authorized by the Individuals with Disabilities Education Act, Part B, Section 619, as amended, Public Laws 94-142, 99-457, 100-630, 101-497, 101-476, and 102-119. The fund was created by the authority of federal grant provisions.

IDEA B Results Plan (24132). The New Mexico Real Results Plan (NMRRP) is part of New Mexico's State Systemic Improvement Plan, required by the U.S. Department of Education, Office of Special Education Programs. New Mexico's plan supports PED's waiver under the Elementary and Secondary Education Act and the A - F School Grading System. This plan and all its resources specifically target students with disabilities enrolled in Title I schools. PL 108-446 PT B Individuals with Disabilities Education Act.

English Language Acquisition (24153) To account for revenues and expenditures received from a federal grant provided to develop school-wide programs for limited English proficient students that reform, restructure, and upgrade all relevant programs. The fund was created by the Elementary and Secondary Education Act of 1965, as amended, Title VII, Part A.

Teacher/Principal Training and Recruiting (24154). To provide grants to State Education Agencies (SEAs) on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement. Elementary and Secondary Education Act of 1965, as amended, Title II, Part A (PL 107-110).

NSLP Equipment Grant (24183). To be used for the purchase of new kitchen equipment under the USDA School Equipment Grants funded by the National School Lunch Program. Authority for creation of this fund id through the National School Lunch Program CFDA 10.579.

Title IV Student Academic Achievement (24189). To account for a funds for the needs for improvement in three key areas: (a) access to and opportunities for a well-rounded education, (b) safe and supportive conditions for learning, and (c) access to personalized learning experiences supported by technology. Authority for the fund is the Student Support and Academic Enrichment Grant program in Title IV, Part A of the Elementary and Secondary Education Act (ESEA) of 1965, as amended by the Every Student Succeeds Act (ESSA) (Pub. L. No. 114-95).

Medicaid (25153). To account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children. The fund was created by the authority of federal grant provisions. (Title XIX Social Security Act).

Dual Credit Instructional Materials (27103). To provide financial assistance to purchased instructional materials for the college classes offered to students who are taking them for duel credits. The fund was created by the authority of state grant provisions.

GO Student Library (27107). To account for revenues and expenditures from a state grant to provide for public school and juvenile detention libraries. The funding made available to update and expand library collections in order to circulate and provide access of materials to students and teachers. Funding provided by the State of New Mexico. The fund was created by the authority of state grant provisions.

NM Reads to Lead (27114). To account for revenue and expenditures received from a state grant for the purpose of improving skills of young students in the area of reading. The fund was created by the authority of state grant provisions.

Teacher Recruitment Initiative (27128). To account for funds to be used for teacher recruitment efforts such as signing bonuses for new teachers, cover the costs of travel to a recruiting/ hiring event, updates to the District's website with regard to recruitment and the cost of placing advertisements in a newspaper or external website. The fund was created by the authority of state grant provisions.

Breakfast for Elementary (27155). To account for revenues and expenditures from a state grant provided for breakfast for elementary students. The fund was created by state grant provisions.

Kindergarten 3 Plus (K3 Plus)(27166). To account for funds received to provide the opportunity for the District to address early literacy. The full-day kindergarten program is the first step in the implementation of a sequential early literacy approach to teaching reading.

K3+4th & 5th (27198). To account for revenues and expenditures from a state grant to provide the opportunity for the District to address literacy for students in the 4th and 5th grades. The fund was created by the authority of state grant provisions.

Nonmajor Capital Project Fund

Senate Bill-Nine-State (31700). The revenues are derived from a district tax levy and matched by the state. Expenditures are restricted to capital improvements.

Nonmajor Debt Service Fund

Debt Service (41000). To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The resources of this fund are generated by a tax levy based upon property values. Expenditures are restricted to debt reduction.

State of New Mexico
Artesia Public Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue Funds		
	Food Service 21000	Athletics 22000	IDEA Preschool 24109
Assets			
Cash and Cash Equivalents	\$ 10,198	\$ 183,651	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	3,881	0	8,443
Inventory	11,626	0	0
Total Assets	\$ 25,705	\$ 183,651	\$ 8,443
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 187	70	0
Interfund Balance	0	0	8,443
Total Liabilities	187	70	8,443
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Nonspendable-Inventory	11,626	0	0
Restricted for			
Special Revenue	13,892	183,581	0
Capital Projects	0	0	0
Unassigned	0	0	0
Total Fund Balances	25,518	183,581	0
Total Liabilities and Fund Balances	\$ 25,705	\$ 183,651	\$ 8,443

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue Funds		
	IDEA Results Plan 24132	Title III English Language 24153	Title II Teacher Quality 24154
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	34,922	5,409	30,393
Inventory	0	0	0
Total Assets	\$ 34,922	\$ 5,409	\$ 30,393
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	0	0	0
Interfund Balance	34,922	5,409	30,393
Total Liabilities	34,922	5,409	30,393
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	0	0	0
Capital Projects	0	0	0
Unassigned	0	0	0
Total Fund Balances	0	0	0
Total Liabilities and Fund Balances	\$ 34,922	\$ 5,409	\$ 30,393

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue Funds		
	NSLP Equipment Grant 24183	Title IV 24189	Medicaid 25153
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 259,907
Receivables			
Taxes	0	0	0
Due From Grantor	16,530	24,738	0
Inventory	0	0	0
Total Assets	<u>\$ 16,530</u>	<u>\$ 24,738</u>	<u>\$ 259,907</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	0	0	0
Interfund Balance	16,530	24,738	0
Total Liabilities	<u>16,530</u>	<u>24,738</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	0	0	259,907
Capital Projects	0	0	0
Unassigned	0	0	0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>259,907</u>
Total Liabilities and Fund Balances	<u>\$ 16,530</u>	<u>\$ 24,738</u>	<u>\$ 259,907</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue Funds		
	Duel Credit Instructional Materials 27103	GO Student Library 27107	NM Reads to Lead 27114
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	2,496	32,780	4,742
Inventory	0	0	0
Total Assets	\$ 2,496	\$ 32,780	\$ 4,742
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	0	0	0
Interfund Balance	2,496	32,780	4,742
Total Liabilities	2,496	32,780	4,742
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	0	0	0
Capital Projects	0	0	0
Unassigned	0	0	0
Total Fund Balances	0	0	0
Total Liabilities and Fund Balances	\$ 2,496	\$ 32,780	\$ 4,742

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue Funds		
	Teacher Recruitment Initiative 27128	Breakfast for Elementary 27155	K3+ 4th & 5th 27198
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	3,990	2,064	3,897
Inventory	0	0	0
Total Assets	\$ 3,990	\$ 2,064	\$ 3,897
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	0	0	72
Interfund Balance	3,990	2,064	3,825
Total Liabilities	3,990	2,064	3,897
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue	0	0	0
Capital Projects	0	0	0
Unassigned	0	0	0
Total Fund Balances	0	0	0
Total Liabilities and Fund Balances	\$ 3,990	\$ 2,064	\$ 3,897

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	<u>Capital Projects Funds</u>		
	<u>Senate Bill Bill-Nine</u>		
	<u>State 31700</u>	<u>Debt Service 41000</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 0	\$ 6,611	\$ 460,367
Receivables			
Taxes	0	2,273	2,273
Due From Grantor	0	0	174,285
Inventory	0	0	11,626
Total Assets	<u>\$ 0</u>	<u>\$ 8,884</u>	<u>\$ 648,551</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	0	0	329
Interfund Balance	0	0	170,332
Total Liabilities	<u>0</u>	<u>0</u>	<u>170,661</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	2,273	2,273
Total Deferred Inflows of Resources	<u>0</u>	<u>2,273</u>	<u>2,273</u>
Fund Balances			
Nonspendable-Inventory	0	0	11,626
Restricted for			
Special Revenue	0	0	457,380
Capital Projects	0	0	0
Unassigned	0	6,611	6,611
Total Fund Balances	<u>0</u>	<u>6,611</u>	<u>475,617</u>
Total Liabilities and Fund Balances	<u>\$ 0</u>	<u>\$ 6,611</u>	<u>\$ 648,551</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2018

	Special Revenue Funds		
	Food Service 21000	Athletics 22000	IDEA Preschool 24109
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	354,772	206,657	0
State & Local Grants	0	0	0
Federal Grants	1,269,912	0	41,428
Interest Income	3,563	0	0
Miscellaneous	0	15,547	0
Total Revenues	<u>1,628,247</u>	<u>222,204</u>	<u>41,428</u>
Expenditures			
Current			
Instruction	0	253,441	981
Support Services			
Students	0	0	299
Instruction	0	0	0
General Administration	0	0	932
School Administration	0	0	39,216
Central Services	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Service Operations	1,659,149	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>1,659,149</u>	<u>253,441</u>	<u>41,428</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(30,902)</u>	<u>(31,237)</u>	<u>0</u>
Fund Balances at Beginning of Year	56,420	214,818	0
Restatement	0	0	0
Restated Beginning Fund Balance	<u>56,420</u>	<u>214,818</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 25,518</u>	<u>\$ 183,581</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2018

	Special Revenue Funds		
	IDEA Results Plan 24132	Title III English Language 24153	Title II Teacher Quality 24154
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	0	0	0
Federal Grants	98,735	14,726	154,595
Interest Income	0	0	0
Miscellaneous	0	0	0
Total Revenues	98,735	14,726	154,595
Expenditures			
Current			
Instruction	98,735	14,437	151,120
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	289	3,475
School Administration	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Service Operations	0	0	0
Capital Outlay	0	0	0
Total Expenditures	98,735	14,726	154,595
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	0	0	0
Restatement	0	0	0
Restated Beginning Fund Balance	0	0	0
Fund Balance End of Year	\$ 0	\$ 0	\$ 0

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2018

	Special Revenue Funds		
	NSLP Equipment Grant 24183	Title IV 24189	Medicaid 25153
	<u>24183</u>	<u>24189</u>	<u>25153</u>
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	363,599
State & Local Grants	0	0	0
Federal Grants	16,530	24,738	0
Interest Income	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>16,530</u>	<u>24,738</u>	<u>363,599</u>
Expenditures			
Current			
Instruction	0	7,138	0
Support Services			
Students	0	0	266,062
Instruction	0	0	0
General Administration	0	0	6,556
School Administration	0	0	19,608
Central Services	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Service Operations	0	0	0
Capital Outlay	16,530	17,600	7,400
Total Expenditures	<u>16,530</u>	<u>24,738</u>	<u>299,626</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>63,973</u>
Fund Balances at Beginning of Year	0	0	195,934
Restatement	0	0	0
Restated Beginning Fund Balance	<u>0</u>	<u>0</u>	<u>195,934</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 259,907</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2018

	Special Revenue Funds		
	Duel Credit Instructional Materials 27103	GO Student Library 27107	NM Reads to Lead 27114
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	7,699	43,310	102,871
Federal Grants	0	0	0
Interest Income	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>7,699</u>	<u>43,310</u>	<u>102,871</u>
Expenditures			
Current			
Instruction	7,699	0	100,558
Support Services			
Students	0	0	0
Instruction	0	43,310	0
General Administration	0	0	2,313
School Administration	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Service Operations	0	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>7,699</u>	<u>43,310</u>	<u>102,871</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at Beginning of Year	0	0	0
Restatement	0	0	0
Restated Beginning Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2018

	Special Revenue Funds		
	Teacher	Breakfast for	K3+
	Recruitment Initiative 27128	Elementary 27155	4th & 5th 27198
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	3,990	20,970	3,897
Federal Grants	0	0	0
Interest Income	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>3,990</u>	<u>20,970</u>	<u>3,897</u>
Expenditures			
Current			
Instruction	0	0	2,076
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Central Services	3,990	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	1,183
Food Service Operations	0	20,970	638
Capital Outlay	0	0	0
Total Expenditures	<u>3,990</u>	<u>20,970</u>	<u>3,897</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at Beginning of Year	0	0	0
Restatement	0	0	0
Restated Beginning Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2018

	<u>Capital Projects Funds</u>		
	Senate Bill Bill-Nine		
	State 31700	Debt Service 41000	Total
Revenues			
Property Taxes	\$ 0	\$ 2,231	\$ 2,231
Fees	0	0	925,028
State & Local Grants	87,707	0	270,444
Federal Grants	0	0	1,620,664
Interest Income	0	0	3,563
Miscellaneous	0	0	15,547
Total Revenues	<u>87,707</u>	<u>2,231</u>	<u>2,837,477</u>
Expenditures			
Current			
Instruction	87,707	0	723,892
Support Services			
Students	0	0	266,361
Instruction	0	0	43,310
General Administration	0	23	13,588
School Administration	0	0	58,824
Central Services	0	0	3,990
Operation of Plant	0	0	0
Student Transportation	0	0	1,183
Food Service Operations	0	0	1,680,757
Capital Outlay	0	0	41,530
Total Expenditures	<u>87,707</u>	<u>23</u>	<u>2,833,435</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>2,208</u>	<u>4,042</u>
Fund Balances at Beginning of Year	0	6,351	473,523
Restatement	0	(1,948)	(1,948)
Restated Beginning Fund Balance	<u>0</u>	<u>4,403</u>	<u>471,575</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 6,611</u>	<u>\$ 475,617</u>

The notes to the financial statements are an integral part of this statement.

Other Supplemental Information

Fiduciary Fund

Activity Trust Fund

To account for funds of various student groups that are custodial in nature.

State of New Mexico
Artesia Public Schools
Agency Funds - Activity
Schedule of Fiduciary Assets and Liabilities-Agency Funds
For the Year Ended June 30, 2018

	Balance 6/30/17	Receipts	Expenditures	Balance 6/30/18
23717 Central Special Account	\$ 299	\$ 0	\$ 0	\$ 299
23716 Central General	8,933	1,127	1,263	8,797
23715 Central PTO	2,533	8,828	8,541	2,821
23722 Penasco General	425	126	0	551
23832 Penasco PTO	9,206	6,822	3,560	12,469
23724 Roselawn General	7,948	16,118	13,793	10,272
23830 Roselawn PTO	9,803	23,123	16,326	16,599
23705 Elementary Art Program	123	0	0	123
23725 Elementary Science PIE	320	0	0	320
23818 5th Grade All City Choir	8,820	5,300	5,846	8,274
23836 Grand Heights I-Pad Project	47	0	0	47
23718 Grand Heights General	16,996	27,272	26,581	17,687
23781 Yeso Thunderbirds	6,500	1,500	0	8,000
23747 Yeso Library	2,311	82	440	1,953
23714 Yeso General	12,658	6,740	4,018	15,380
23829 Yeso PTO	35,638	49,651	44,214	41,074
23831 Yucca PTO	6,399	14,192	14,828	5,764
23726 Yucca General	5,432	4,959	7,588	2,802
23756 Class of 2018	4,026	0	2,928	1,098
23753 Class of 2019	5,772	11,435	8,358	8,849
23752 Class of 2020	5,090	0	20	5,070
23730 HS Girls A Club	223	0	0	223
23777 Fellowship of Christian Athletes	1,298	0	0	1,298
23847 Tennis Booster	6,218	0	0	6,218
23760 AHS Girls Soccer	6,594	450	954	6,090
23758 AHS Rodeo	14,293	988	2,433	12,848
23744 AHS Tennis	5,963	0	2,466	3,497
23814 District 4-AAA	1,891	2,684	2,610	1,965
23759 AHS Cross Country	443	2,820	2,629	634
23743 AHS Girls Basketball	2,276	2,545	3,090	1,731
23826 AHS Bowling	3,936	0	3,835	101
23773 Athletics General	14,846	20,373	6,133	29,086
23719 AHS Golf Boosters	727	6,581	6,493	816
23727 AHS Boys A Club	15,472	9,582	6,664	18,390
23787 AHS Swimming	6,490	2,587	7,016	2,061
23745 AHS Boys Basketball	4,129	9,041	11,439	1,732
23845 AHS Girls Soccer Booster	27,698	15,034	12,348	30,385
23765 AHS Volleyball	2,603	16,191	13,067	5,727
23761 AHS Boys Soccer	8,154	7,789	13,743	2,200
23741 AHS Baseball Boosters	7,585	17,320	14,661	10,245
23825 NMAA District Chair	6,745	12,561	9,279	10,027
23767 AHS Football Boosters	13,632	11,573	17,028	8,176
23791 AHS Girls Softball	8,111	21,227	22,087	7,251
23729 AHS Track	12,011	37,175	37,068	12,118
23746 AHS Cheerleaders	12,265	41,126	40,308	13,083
23768 AHS Football Playoffs	16,510	58,576	49,783	25,303
23766 AHS FACS Activity	4,294	26	0	4,320
23737 AHS Arts/Crafts	2,366	274	0	2,640
23788 AHS Metals Fabrication	1,171	1,946	0	3,117
23851 Technical Theater Activity	0	380	89	291
23786 AHS Student Council	3,229	920	520	3,629
23742 AHS Beacon	\$ 2,691	\$ 100	\$ 884	\$ 1,907

State of New Mexico
Artesia Public Schools
Agency Funds - Activity
Schedule of Fiduciary Assets and Liabilities-Agency Funds
For the Year Ended June 30, 2018

	Balance 6/30/17	Receipts	Expenditures	Balance 6/30/18
23717 Central Special Account	\$ 299	\$ 0	\$ 0	\$ 299
23808 AHS NM MESA	\$ 7,883	\$ 1,426	\$ 1,432	\$ 7,877
23790 AHS Auto Mechanics	2,104	130	2,034	201
23772 AHS Honor Society	1,434	2,110	2,449	1,096
23774 AHS Industrial Arts	5,369	3,648	4,038	4,979
23763 AHS DECA	4,663	13,518	7,418	10,763
23778 AHS Drama/Masquers	17,489	8,395	9,692	16,192
23841 Band All State Camp	14,441	10,006	22,262	2,185
23782 AHS BPA	416	26,283	23,126	3,573
23740 AHS Band	12,754	81,511	63,098	31,167
23764 AHS FFA	13,765	73,648	63,433	23,980
23748 AHS Chorus	26,677	82,771	70,741	38,707
23704 Book Fund	8,707	1,681	0	10,388
23712 Summer School	2,304	1,259	200	3,363
23749 AHS Night Classes	1,692	0	227	1,465
23785 AHS Special Education	4,646	965	1,260	4,352
23723 AHS Paw Prowlers	823	1,561	1,320	1,065
23769 AHS General	1,135	3,174	4,158	150
23738 AHS Annual	5,256	7,090	4,871	7,475
23776 AHS Library	9,750	6,761	7,090	9,420
23792 AHS Testing	2,739	17,953	17,481	3,212
23789 AHS Vending/Concession	37,929	42,953	37,393	43,489
23720 Hermosa General	3,290	9,456	9,107	3,639
23721 Hermosa PTO	16,344	30,677	41,622	5,400
23807 AIS Boys Athletics	164	0	0	164
23815 AIS Grants	6	0	0	6
23824 AIS Girls Athletics	731	0	251	480
23813 AIS Library	1,149	628	1,613	164
23819 AIS Student Council	3,737	2,749	2,059	4,427
23823 AIS Activity	1,804	2,050	2,500	1,354
23837 AIS Annual	7,813	3,180	3,248	7,745
23812 AIS General	5,363	5,264	5,120	5,507
23816 AIS Vending	2,240	4,054	5,209	1,084
23711 AIS PTO	6,722	16,320	19,935	3,106
23817 AIS Band	10,342	25,555	26,531	9,366
23821 AIS Chorus	22,678	44,269	52,972	13,975
23739 AJHS Paw Prints	1	0	0	1
23802 AJHS Honor Society	608	0	0	608
23810 AJHS Student Council	276	0	0	276
23801 AJHS Football	5	10	0	15
23846 AJHS Basketball Activity	0	65	0	65
23805 AJHS Track	872	438	243	1,067
23806 AJHS Library	2,465	691	952	2,204
23797 AJHS Band	166	1,030	1,177	19
23796 AJHS Arts & Crafts	7,062	2,545	1,970	7,637
23844 AJHS Navajo	5,898	0	2,010	3,888
23799 AJHS FACS	3,118	1,903	2,567	2,454
23804 AJHS Industrial Arts	7,632	2,772	3,838	6,566
23793 AJHS Activity Miscellaneous	49,695	15,000	5,779	58,917
23794 AJHS Annual	2,921	3,890	6,146	665
23795 AJHS Concessions	18,697	11,703	9,991	20,409
23800 AJHS General	\$ 10,223	\$ 7,679	\$ 10,431	\$ 7,471

State of New Mexico
Artesia Public Schools
Agency Funds - Activity
Schedule of Fiduciary Assets and Liabilities-Agency Funds
For the Year Ended June 30, 2018

	Balance 6/30/17	Receipts	Expenditures	Balance 6/30/18
23717 Central Special Account	\$ 299	\$ 0	\$ 0	\$ 299
23798 AJHS Cheerleaders	\$ 13,450	\$ 7,872	\$ 11,707	\$ 9,615
23835 Estelle Yates Special	2,862	0	0	2,862
23735 Navajo PIE	7,916	20,695	27,110	1,501
23838 AHS Devon-Science	1	0	0	1
23920 Special Projects	1,742	0	0	1,742
23734 Estelle Yates Special	521	50,379	50,693	207
23757 Chase Special Projects	213,346	243,808	74,643	382,511
23842 Masters Program	686	87,009	87,695	0
23754 PY Foundation/Science Services	146,317	474,700	388,122	232,895
23700 Interest	9,164	0	0	9,164
23701 Red Ribbon Campaign	185	0	0	185
23706 General	1,494	0	0	1,494
23707 Gifted Program	1,109	0	0	1,109
23713 Snack Bar	740	0	0	740
23750 Workbook Fees	5,147	0	0	5,147
23775 GRAD Co-Pay	10,368	0	0	10,368
23822 Children First	14	0	0	14
23840 Leadership Summit Activity	40	0	0	40
23843 Assets	257	0	0	257
23849 Educators Rising	1,250	0	0	1,250
23900 NMPSIA Clearing	172	0	0	172
23833 Rachel's Challenge	620	0	0	620
23762 Drivers Education	1,467	0	938	529
23803 Border Conference	0	3,489	3,489	0
23708 Cafeteria General	991	40,569	36,835	4,726
23733 J Clark Bruce Scholarship	26	0	0	26
23755 RDC Scholarship	2,416	0	0	2,416
23779 Kayci Houghtaling Fund	1,088	0	0	1,088
23784 AHS International Club	62	0	0	62
23732 Lou Smith Scholarship	455	642	700	397
23834 LG Henderson Fund	11,605	600	1,000	11,205
23839 Carol Tolle Memorial Scholarship	32,511	0	3,000	29,511
23736 Mack Chase Scholarship	2,933	2,100	5,000	33
23783 Scholarship Fund	9,269	26,750	27,500	8,519
	<u>\$ 1,217,363</u>	<u>\$ 2,014,528</u>	<u>\$ 1,722,361</u>	<u>\$ 1,509,529</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Artesia Public Schools
Cash Reconciliations - All Funds
For the Year Ended June 30, 2018

		Beginning Cash <u>6/30/17</u>	Revenue	Expenditures	Ending Cash <u>6/30/18</u>
Operational	11000 \$	2,854,125 \$	28,701,944 \$	28,509,355 \$	3,046,714
Teacherage	12000	281,454	142,331	124,204	299,581
Transportation	13000	0	1,289,969	1,289,956	13
Instructional Materials	14000	61,870	119,953	169,514	12,309
Food Service	21000	40,388	1,502,473	1,532,663	10,198
Athletics	22000	214,818	222,203	253,370	183,651
Activities	23000	1,217,363	2,014,528	1,722,361	1,509,529
Federal Flowthrough	24000	(329,404)	1,379,623	1,676,001	(625,782)
Federal Direct	25000	195,934	363,599	299,627	259,906
State Flowthrough	27000	(84,354)	455,343	553,530	(182,541)
Capital Improvements HB-33	31600	16,114,390	8,576,129	9,119,748	15,570,771
SB 9 State	31700	0	87,707	87,707	0
SB 9-Capital Improvements	31701	6,366,153	3,199,761	3,041,501	6,524,413
Debt Service	41000	4,403	2,231	23	6,611
Total		<u>\$ 26,937,140</u>	<u>\$ 48,057,795</u>	<u>\$ 48,379,560</u>	<u>\$ 26,615,374</u>

The notes to the financial statements are an integral part of this statement.

Federal Compliance

State of New Mexico
Artesia Public Schools
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2018

Federal Agency/Pass Through Grantor/Program Title	Federal CFDA Number	State ID Number	Total Federal Awards Expended
<u>U. S. Department of Agriculture</u>			
Pass-through State Public Education Department			
Child Nutrition Cluster			
School Breakfast Program	10.553	21000	\$ 417,158
National School Lunch Program	10.555	21000	728,659
Pass-through State Department of Human Services			
Commodity Supplemental Food Program	10.565	21000	(1) 124,095
Total Child Nutrition Cluster			<u>1,269,912</u>
Pass-through State Public Education Department:			
NSLP Equipment Grant	10.579	16530	16,530
Direct Program			
Forest Reserve	10.665	11000	12,163
Total U. S. Department of Agriculture			<u>1,298,605</u>
<u>U. S. Department of Education</u>			
Pass-through State Public Education Department			
Special Education Cluster			
IDEA B Entitlement	84.027	24106	782,931
IDEA B Results Plan	84.027	24132	98,735
IDEA Preschool	84.173	24109	41,428
Total Special Education Cluster			<u>923,093</u>
Title I	84.010	24101	542,321
Title III English Language	24.365	24153	14,726
Teacher/Principal Training and Recruiting	84.367	24154	154,595
Title IV Student Academic Achievement	84.424	24189	24,738
Total U. S. Department of Education			<u>1,659,473</u>
Total Federal Assistance			<u>\$ 2,958,078</u>

(1) Non-cash assistance

See accompanying notes to the Schedule of Expenditures of Federal Awards

State of New Mexico

Artesia Public Schools

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2018

Note 1: Significant Accounting Policies used in preparing the Schedule of Expenditure of Federal Awards

The modified accrual basis was used to prepare the Schedule of Expenditures of Federal Awards

Note 2: Insurance Requirements

There are no insurance requirements on the federal awards disclosed on the Schedule of Expenditures of Federal Awards

Note 3: Loans or Loan Guarantees

There were no loans or loan guarantees outstanding at year end.

Note 4: De Minimis Indirect Rate

The District did not elect to use the 10% de minimis indirect cost rate.

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards*

Independent Auditor's Report

Mr. Wayne Johnson
State Auditor of the State of New Mexico
Board Members of Artesia Public Schools

Mr. Johnson and Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general and major special revenue funds, of the Artesia Public Schools (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 24, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be significant deficiencies. 2018-001, 2018-002, 2018-003

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, 2018-002, 2018-003, 2018-004.

District's Responses to Findings

The District's responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Questioned Cost. Responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

De'Aun Willoughby, CPA, PC

Clovis, New Mexico
October 24, 2018

Report on Compliance With Requirements
Applicable To Each Major Program and Internal Control
Over Compliance in Accordance With OMB Uniform Guidance

Independent Auditor's Report

Mr. Wayne Johnson
State Auditor of the State of New Mexico
Board Members of Artesia Public Schools

Mr. Johnson and Members of the Board

Compliance

We have audited Artesia Public Schools (District) compliance with the types of compliance requirements described in the *Title 2 U.S. CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

De'Aun Willoughby, CPA, PC

Clovis, New Mexico
October 24, 2018

A. Summary of Audit Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting

* Material weaknesses identified? No

* Significant deficiencies identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

* Material weaknesses identified? No

* Significant deficiencies identified? No

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance No

Identification of major programs:

<u>CFDA Numbers)</u>	<u>Name of Federal Program of Cluster</u>
10.553	Child Nutrition Cluster
10.555	School Breakfast Program
10.565	National School Lunch Program
	Commodity Supplemental Food Program

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Audited qualified as low risk Auditee Yes

Federal Compliance Findings

Prior Year Audit Findings
 None

Current Year Audit Findings
 None

Financial Statements Findings

Prior Year Audit Findings	<u>Status</u>
2017-001 Late Deposit of Receipts	Resolved

Current Year Audit Findings

2018-001 Personnel Files-Compliance and Internal Control-Significant Deficiency Condition

Out of 46 personnel files tested we noted:

I-9's:

- 1 could not be located.
- 2 employees did not sign and or date section 1.
- 3 were not completed within 3 days of being hired.
- 25 Section 2 was not completed correctly or in it's entirely.
- 1 Certification section (hire date not entered).
- 1 Had cross outs/mark outs with no initials.
- 1 Supporting document was a list A item but B & C was completed.

Official Transcripts

- 3 Did not have official Transcripts (they were either copies or issued to students).
- 1 undergraduate was hired in a teaching position.

W-4

- 1 W-4 could not be located

Criteria

U.S. Citizenship and Immigration Services I-9 instructions and M-274 Handbook for employers. Form I-9 is used for verifying the identity and employment authorization of individuals hired for employment in the United States. All U.S. employers must ensure proper completion of Form I-9 for each individual they hire for employment in the United States. NMAC 6.20.2.18 states the local board shall establish written policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP.

Cause

Over the years multiple staff have completed the I-9s and were not trained well on how to complete them.

Effect

The District is subject to penalties. The penalties can include \$250 to \$3,000 for improper completion of the I-9 form. Improper completion, retention or making it available for inspection fines range from \$100 to \$1,100 for each I-9. Knowingly hiring or continuing to employ unauthorized workers fines range from \$250 up to \$11,000 per violation.

Recommendation

The Human Resource employee needs to read and understand both the I-9 Instructions and the M-274 Handbook for employers. Additional training and supervision is necessary to assure the I-9s are completed correctly.

Response

We have limited the staff to 3 people that are allowed to complete I-9s. Those 3 staff members have printed the instructions and have been training on how to properly complete I-9s. We are also using the E-verify website now.

Responsible Party and Timeline

Asst. Superintendent of Human Resources Timeline: we have immediately started working on this

2018-002 Employee Timesheets and Pay-Compliance and Internal Control-Significant Deficiency Condition

Thirteen of the 16 non-exempt employees' timesheets tested were hand writing in times and out times at the exact same time daily. There was also one timesheet that showed the employee worked 45.5 hours, but no overtime was paid and we could not confirm if compensating time was given.

Criteria

Recordkeeping Requirements under the Fair Labor Standards Act (FLSA) - Employees on Fixed Schedules: Many employees work on a fixed schedule from which they seldom vary. The employer may keep a record showing the exact schedule of daily and weekly hours and merely indicate that the worker did follow the schedule. When a worker is on a job for a longer or shorter period of time than the schedule shows, the employer must record the number of hours the worker actually worked, on an exception basis.

Cause

Staff do not understand FLSA and therefore don't understand why they need to document their actual hours. Also, Supervisors don't realize the consequences of violating the Labor Laws.

Effect

By violating the Fair Labor Standards Act (FLSA), the District may be liable for both the shortfall and liquidated damages, which means double the damages.

Recommendation

The District needs to review non-exempt employee timesheets and determine if they have paid for all hours physically worked and if overtime or compensating time is owed.

Response

We have done a training with Secretaries and other non-exempt staff so they understand the importance of documenting their time accurately. We have also met with Principals and Supervisors to go over the FLSA . We are looking at going to time clocks at all of our buildings.

Responsible Party and Timeline

Asst. Superintendent of Human Resources and Business Manager Timeline: We have already held two trainings and continue to have ongoing trainings and are looking into time clocks this coming school year.

2018-003 Failure to Obtain Certification-Compliance and Internal Control-Significant Deficiency Condition

The District was paying an individual as a teacher when the individual license is a L1 7-12 Athletic Coach.

Criteria

New Mexico Statute 20-10A-4d. All teachers and school administrators salary systems shall be aligned with the licensure framework in a professional educator licensing and salary system.

Cause

The District relied on the employee's verbal acknowledgement that she had completed her college hours and had submitted her information to PED for licensure. The employee failed the course, did not receive the degree or license. She worked as a teacher for six weeks before the District became aware of the issue and moved her to an EA position.

Effect

The District had an employee teaching students that did not hold the appropriate degree or license with PED.

Recommendation

The District needs a system in place that will help them identify when a license has or has not been received from PED before hiring an employee.

Response

District will insure that certified staff are not offered a contract until Transcripts have been received by the District.

Responsible Party and Timeline

Asst. Superintendent of Human Resources Timeline: starting immediately

2018-004 New Hire Reporting-Compliance and Internal Control-Other Non-Compliance

Condition

Out of 114 new hires during the fiscal year we reviewed 12. Of the 12 new hires that should have been reported to the New Mexico New hires Directory 1 was not submitted timely and 2 we were unable to determine.

Criteria

As per New Mexico law (§50-13-1 to 50-13-4) and Federal law (42 USC §653.a.(b)(1)(A)), all public, private, non-profit, and government employers are required to report all newly hired employees within 20 days of hire or rehire to the New Mexico New Hires Directory.

Cause

The date that Substitues complete paperwork but then don't actually go to work until months later. Confusion on the timeline of when to report them as new hires.

Effect

Pursuant to federal law, states have the option of imposing civil monetary penalties on employers who fail to report new hires. The fine can be up to \$20 per newly hired employee, and if there is a conspiracy between the employer and employee not to report, the penalty can be up to \$500 per newly hired employee.

Recommendation

Additional training and supervision is necessary to avoid this oversight in the future.

Response

HR Clerk will be more careful with data entry on hire dates and timelines.

Responsible Party and Timeline

Assistant Superintendent of Human Resources Timeline: immediately

Financial Statement Preparation-The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

Exit Conference-An exit conference was held on October 24, 2018. Those present were Crit Caton-Superintendent, Danny Parker-Assistant Superintendent, John Ross Null-Assistant Superintendent, David Conklin-Board Member, Pearl Valles-Audit Committee, Aaron Caldera-Food Service Director, Julie A Sedillos-Food Service and Business Office Secretary, Esther Earl-Payroll, Anna Bilberry-Payroll, Monica Reyes-Federal Programs Secretary, Joy Conklin-Assistant Business Manager, Janet Grice-Business Manager, and De'Aun Willoughby-CPA.